PALADIN ENERGY LTD

A.C.N. 061 681 098

FINANCIAL REPORT

FOR THE SIX MONTHS ENDING

31DECEMBER 2010

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(All figures are in US dollars unless otherwise indicated)

SAFETY

Safety throughout the Group continues to improve with no Lost Time Injuries (LTIs) recorded for the quarter at its Langer Heinrich Mine (LHM) or Kayelekera Mine (KM). During the period at LHM, an external safety, health and environment audit by NOSA was conducted with the preliminary result being that the site continues the 4 Star Platinum rating with an improved overall performance. Implementation of the NOSA safety system at Kayelekera in preparation for a similar external safety, health and environmental audit in the June quarter is underway.

QUARTERLY URANIUM SALES

Sales for the quarter were 1,273,922lb U_3O_8 generating revenue of US$66.3M, representing an average sales price of US$52.00/lb U_3O_8 (average Ux spot price for the quarter was US$56.71/lb U_3O_8).

The Ux spot price increased from US$46.50/lb U_3O_8 at the end of September to US$62.50/lb U_3O_8 at the end of December. The Ux long term price indicator rose from US$60/lb U_3O_8 to US$65/lb U_3O_8 during the quarter.

GLOBAL PRODUCTION FOR 2010

The overall production for calendar year 2010 of 5,429,863lb represents a 74% increase over the previous year's production as shown in the table below.

	LHM	KM	Total Paladin
Production lb2010	**3,688,203**	**1,741,660**	**5,429,863**
Production lb2009	2,875,496	253,616	3,129,112

Progressive quarter by quarter production of the combined operations is as follows:

LHM + KM	Mar qtr	June qtr	Sept qtr	Dec qtr
Production lb U_3O_8	1,157,375	1,442,842	1,362,713	**1,466,932**

LANGER HEINRICH MINE (LHM), Namibia

Production

LHM	Mar qtr	June qtr	Sept qtr	Dec qtr
Production lb U_3O_8	928,370	927,373	899,735	**932,731**

Langer Heinrich continues to operate at nameplate capacity and in the December quarter delivered record production.

Mining

Mining activities have been advanced prior to Stage 3 initiation, with three working areas expected to supply ore feed in 2011. Mining and plant ore feed month by month over the half year to December 2010 were as follows:

(All figures are in US dollars unless otherwise indicated)

	July	Aug	Sept	Oct	Nov	Dec
Ore mined (t)	116,706	363,344	746,818	408,185	154,824	34,594
Grade (ppm)	744	930	864	790	690	593
Additional low grade ore mined (t)	52,291	38,648	132,256	116,270	59,424	41,602
Grade (ppm)	286	327	344	337	351	307
Waste/Ore ratio	5.9	2.4	0.59	1.77	6.62	33.01

	July	Aug	Sept	Oct	Nov	Dec
Ore crushed, dt	182,072	179,714	186,080	173,100	187,900	214,800
Ore grade, ppm U_3O_8	994	881	1048	1036	915	844

Mining operations were carried out as planned, with large month to month variations in ore vs. waste, as additional areas were prepared for mining in 2011. A high percentage of the waste material is being utilised for the new in-pit tailings facility, which is expected to be operational in the June quarter. This waste was intentionally mined in December resulting in a high strip ratio for that month and will normalise back to historic levels going forward.

Process Plant

Tonnage through the process plant was the highest ever at over 575,000dry tonnes (dt) crushed beating the previous quarterly record of 550,000dt.

Performance of the front end circuits is satisfactory. The Stage 3 expansion features a much larger and more robust scrubber as well as various circuit up-grades that will improve performance.

The leaching circuit extraction rate increased to 92% for the December quarter with an average of 94.2% in December. Leaching circuit vessels are now completely insulated and cost reductions as a result of this programme are currently being evaluated. The Stage 3 expansion includes a new system of slurry heating, which has been designed around the results of a year-long, site-based pilot plant trial. This new system will reduce operational dependence on the current spiral heat exchangers.

Counter-Current Decantation (CCD) and Ion Exchange (IX) combined operationally to a wash efficiency of 73.3%. Performance in this area is under review as an increase in efficiencies will provide an excellent opportunity to increase production efficiencies and reduce costs.

The precipitation and drying areas are working above capacity and have the capability to perform well above nameplate. This was particularly evident in December when the product thickener was cleaned out for maintenance resulting in much higher than normal packaging levels.

Stage 3

Construction continued through the December quarter and is expected to be completed in the March quarter, allowing production commissioning and ramp-up to proceed.

The Stage 3 expansion project at LHM, which is increasing the existing plant's throughput to 5.2Mlb per annum (pa), is 85% complete and is progressing well.

(All figures are in US dollars unless otherwise indicated)

The project is now scheduled for mechanical completion late in the March quarter. This is delayed from the original schedule that anticipated completion by January 2011. Critical path equipment, including boilers and IX columns, were delayed arriving at site and as such have pushed back expected mechanical completion by approximately 2 months.

The budget is expected to be contained within 25% of the approved budget forecast, including recent foreign exchange movements.

Stage 4

ABankable Feasibility Study for the potential expansion of LHM to 10Mlb U_3O_8pa has been initiated following the updated Resource and Reserve statements provided in the last quarterly report. The study is investigating a new plant to be located adjacent to the existing plant with total production capacity of around 8.7Mlb U_3O_8 pa. In addition, the potential for heap leaching or upgrading the below cut-off grade material/mineralised waste rock to recover a further 1.3Mlb U_3O_8pa is also being investigated. This feasibility study is scheduled for completion by the last quarter of CY2011.

KAYELEKERA MINE (KM), Malawi

Production

KM	Dec09 qtr	March qtr	June qtr	Sept qtr	Dec10 qtr
Productionlb U_3O_8	145,315	228,996	515,478	462,977	**534,201**

Although a record level of production occurred at Kayelekera, performance during the quarter was hampered by intermittent electrical power generation outages resulting from earlier than scheduled mechanical overhauls of the on-site diesel power plants. The impact of these outages was reduced as three redundant diesel generators with an overall capacity of approx 2.8MW were relocated from Langer Heinrich and installed mid-December. The reliability of the main Hyundai power plant had been impacted by the logistics chain to Malawi, however is now functioning well.

During times of consistent power operation, the plant did operate at or near design levels. This is expected to improve with increased operational efficiencies and plant utilisation. Overall recovery levels have improved significantly contributing to higher production levels.

Mining

The mining and plant ore feed month by month for the half yearending December 2010 were as follows:

	July	Aug	Sept	Oct	Nov	Dec
Ore mined (t)	105,108	132,720	82,054	140,572	43,000	44,786
Grade (ppm)	1906	1555	2111	1865	1003	1504
Additional low grade ore mined (t)	39,680	33,473	49,073	13,448	56,905	17,144
Grade (ppm)	513	509	515	546	513	491
Waste/Ore ratio	1.2	1.75	2.3	1.2	3.0	2.8

(All figures are in US dollars unless otherwise indicated)

Operating data – Process

Clearly evident from the data below, when operating, the plant is running at design levels. For instance, on a strictly ratio basis, the plant running at 2000 hrs per quarter (of 2200 hrs available) would produce at 95% of nameplate. Solutions to improving the running times,mainly involving process/maintenance operations with emphasis on the logistics chain, have been identified and implemented. Further work is underway to achieve a consistent 2000 hours quarterly run time.

	Dec qtr
Operating time hrs	1380
Mill feed, dry tonnes	228,764
Grade (ppm)	1439
Leach extraction %	90.1
RIP efficiency %	88.4
Overall efficiency %	78.0

Process Plant

The crushing and grinding circuits have shown that they are capable of routine operation for both wet and dry conditions.

Leaching extraction is operating at over 90% versus 91% design. A modification to the launder system, when complete, is expected to improve extraction to at least design. Acid production on-site continues to run as per demand.

Resin-in-Pulp operational issues are being systematically mitigated, with efficiencies currently at 88.4% and regularly well over 90% for extended periods. Further increases in RIP efficiency continue as improved resin management and preventative maintenance processes are established.

The back end of the plant (uranium precipitation and packaging) is operating at nameplate.

Lender's Test

The 90 day continuous testing of 10 specific operational parameters, including tonnage throughput, grade reconciliation to resource model, overall recovery, production targets and unit costs, began on 1 November. Power disruption has extended the test period, however the operation continues with the testing and Paladin is confident it will be successfully completed within the required timeframe.

Expansion Study

Paladin's operational development team has formally embarked on design of the plant expansion to 3.8Mlb pa. As has been the case with expansions at Langer Heinrich, data derived from current Kayelekera operations will be valuable for reliably providing design and construction methods which, when initiated, will raise production capacity to stated levels and provide enhanced operation ability. This study is expected to be completed within the next six months.

GUIDANCE STATUS

Despite increased efficiences and record production at Kayelekera, ramp-up delays in the first half of the year at the operation due to abnormal down-time resulting from power and maintenance disruptions have impacted FY11 production expectations. As a result, total production guidance for FY11 is reduced to a range of 6.0Mlb to 6.3Mlb versus the 7Mlb previously forecast. Management is confident that this conservative revision will be met and installed capacity will be maintained going forward as operational efficiencies and plant availability are improving.

(All figures are in US dollars unless otherwise indicated)

MOUNT ISA REGION PROJECTS, Queensland

Work in the quarter included a maiden Mineral Resource estimate for the Odin orebody. The resource drilling programme at the Bikini deposit was completed in late December and the Skal programme is expected to be completed following the resumption of drilling in late March 2011.

MOUNT ISA URANIUM JOINT VENTURE **(Paladin Energy Ltd 50%, Summit Resources (Aust) Pty Ltd 50% Operator)**

Odin Uranium Deposit

The Odin deposit is part of the Valhalla Project and is located 40km north of Mount Isa on EPL 17514.

The maiden Mineral Resource estimate is based on 99 holes totalling 16,044m. The Odin deposit now has a strike length of 600m and contains two mineralised lenses. The main lens trends north-north-east and dips 50° - 60° to the east. The smaller southern lens strikes north-south and dips steeply to the east. Following compilation and consolidation of all data into a resource dataset, an initial Mineral Resource estimate has been completed. The Mineral Resource is currently classified as Inferred, primarily due to drill spacing and the number of bulk density determinations within the dataset. Additional drilling is expected to be undertaken in 2011, after the wet season, following the drilling at Skal, with an updated Mineral Resource estimate expected in the June quarter.

The initial Inferred Mineral Resource estimate for the Odin uranium deposit is quoted using a cut-off grade of 250ppm U_3O_8.

	Mt	**Grade ppm U_3O_8**	**t U_3O_8**	**Mlb U_3O_8**
Inferred Resources	8.2	573	4,685	10.3

(Mineral Resource quoted on 100% basis)

The Mineral Resource estimation was completed using the same methodology (Multi Indicator Kriging) as that undertaken at Valhalla, with the dataset derived predominantly from downhole radiometric logging using company owned, calibrated equipment. The radiometric grades have also been extensively validated against laboratory assays.

Skal Uranium Deposit

At Skal a resource development drilling programme of 28 holes totalling 4,566m was halted in early December due to the wet season. Encouraging results so far include:

SD0129 from 50m to 91m down hole, totalling 41m at 838ppm U_3O_8
SR0138 from 165m to 215m downhole totalling 50m at 1,394ppm U_3O_8

A resource upgrade for Skal is expected late in the March quarter following completion of the drilling programme.

Bikini Uranium Deposit

A 40m x 40m infill resource drilling programme was completed at Bikini in late October 2010. Drilling included 66 holes totalling 10,527m. An updated resource is expected to be completed in the first quarter of 2011 following compilation and validation of all the data.

CORPORATE

Acquisition of Aurora Uranium Assets

Paladin announced in December 2010 that it had initiated its uranium business in Canada and entered into a Definitive Agreement for the purchase of the uranium assets of Aurora Energy Resources Inc. ("Aurora") a wholly owned subsidiary of Fronteer Gold (TSX-FRG, AMEX-FRG) ('Fronteer"). Aurora Energy holds title to significant uranium assets within the highly prospective Central Mineral Belt ("CMB") of Newfoundland and Labrador in Eastern Canada, including the Michelin deposit (67.12Mlb Measured and Indicated and 36.08Mlb Inferred Resources of U_3O_8) as well as the Jacques Lake, Rainbow, Nash, Inda and Gear deposits and has secured the most prospective ground within the CMB.

NI 43-101 compliant U_3O_8 resources have been defined across all the deposits as follows:-

- 83.8Mlb U_3O_8 Measured and Indicated Mineral Resources (40.2Mt ore at 0.09%)
- 53.0Mlb U_3O_8 Inferred Mineral Resources (29.0Mt ore at 0.08%)

The consideration for 100% ownership amounted to C$261M via the issuance of 52,097,937 shares in Paladin at C$5.01. This valued the current resources at US$1.90/lb.

Paladin considers the CMB to be one of the few remaining, underexplored uranium districts globally and this acquisition not only provides Paladin with a noteworthy mid-term development asset but also offers an excellent opportunity for both significant new discoveries and expansions of the existing deposits. This highly strategic transaction fulfils Paladin's long held ambition to expand its footprint into Canada, a leading country in uranium mining, both in terms of resources and its stable political and business environment, providing the Company with an important new platform from which to plan its continued growth.

With this acquisition, Paladin's global uranium portfolio increases appreciably and, with strong potential for additional uranium resource discovery to complement the existing resource base, provides a genuine development opportunity within the forthcoming decade.

Convertible Bond Issue

During this reporting period Paladin announced the successful issue of senior, unsecured convertible bonds due October 2015 (Convertible Bonds).

The Convertible Bonds carry a coupon of 3.62% pa and are convertible into Paladin shares at an initial conversion price of US$5.665 per share, representing a conversion premium of approximately 32.5% above the reference price of Paladin shares at the time of pricing.

The proceeds of the issue were used to fund Paladin's tender offer to acquire from eligible bondholders its US$250M issue of convertible bonds due in December 2011, with any amount not applied to the tender offer being utilised to fund in part the proposed expansion of the Langer Heinrich Mine and to pursue future growth opportunities. The tender offer was fully accepted.

NGM Resources Ltd (NGM) Takeover

On 10 December 2010, Paladin completed its takeover of NGM following compulsory acquisition of the remaining shares. The total number of shares allotted in relation to this acquisition was 7,116,001 fully paid shares.

Corporate Development Manager

Justin Reid, General Manager Corporate Development for Paladin tendered his resignation effective 1st February 2011. Justin has returned to Canada with his family and rejoined the capital markets. Justin is thanked for his contributions to the Company during what has been an exciting period of growth.

Dr. Nicole Adshead-Bell has assumed the role of Manager Corporate Development effective 1st February 2011. Nicole has a Ph.D. in Geology from James Cook University, Queensland and worked as a buy and sell side analyst specialising in both uranium and precious metals. Most recently Nicole was a Managing Director, Investment Banking for Haywood Securities Inc., in Vancouver focused on M&A in the mining and exploration sector. Nicole is based in Vancouver, Canada and supported in Perth by both an analytical and IR team.

Uranium Market Comments

At the beginning of 2010, the uranium market was considered by some - but not Paladin- to be possibly over-supplied and lacking in direction, despite the strong growth in new reactor commitments in China, India, Korea and the UAE and re-affirmation of successful nuclear power programmes in Europe and the United States.

The Ux spot price was US$43.50/lb U_3O_8 in January 2010 and the Ux long term price was declining from US$62/lb U_3O_8 towards US$58/lb U_3O_8 in March. By the year end, a different picture had emerged. Reported spot volumes of over 50Mlb U_3O_8 (equivalent) almost matched the record set in 2009, and reported long term contracting volumes of over 240Mlb U_3O_8 (equivalent) approached the record of 250Mlb U_3O_8 (equivalent) set in 2005 (when the average annual long term price was US$30.73/lb U_3O_8). Reflecting these trends, the Ux spot price recovered to US$62.50/lb U_3O_8 in December 2010 (and subsequently rose to US$68/lb U_3O_8 in mid-January 2011) and the Ux long term price also began moving upwards. On the production side it seems that the recent year-on-year increase in uranium production has slowed. Preliminary figures indicate global production rose by 8% in 2010, less than half the increase between 2008 and 2009, and that Kazakhstan accounted for more than 75% of the increased output.

Like other commodities, uranium is now showing signs of price recalibration as industry participants re-focus on medium and long term supply and demand issues. Paladin is exquisitely placed to provide new supply into this exciting and growing market.

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF

The following Management Discussion and Analysis ("MD&A") for Paladin Energy Ltd ("Company") should be read in conjunction with the Report to Shareholders and the Consolidated Financial Statements for the six months ended 31 December 2010. The effective date of this report is 14 February 2011.

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

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the six months ended 31 December 2010 in order to comply with applicable Canadian securities law, as the Company is also listed on the Toronto Stock Exchange.

Additional information relating to the Company, including the Company's most recent Annual Report for the year ended 30 June 2010and other public announcements are available at www.paladinenergy.com.au.

FORWARD LOOKING STATEMENTS

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

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

OVERVIEW

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

The main activities undertaken during the six months ended 31 December 2010 were:

- Record half yearly production results achieved on both operating sites.
  -LHM 1,832,0001lb up 22% on comparativehalf year
  -KM 997,000lb up 324% on comparativehalf year

- LHM achieves 1 year zero LTI's and KM 5 month LTI free end Dec 2010.

- Slower KM ramp-up resulted in overall guidance downgrade from 7Mlb to between 6.0Mlb - 6.3Mlb for FY11.

- Expansions:
  -Stage 3 LHM delayed. Commissioning to start late March quarter
  -Stage 4 LHM Feasibility Study underway with completion expected late September quarter

- Sales of 2,317,000lb U_3O_8 at an average realised price of US$50/lb.

- Acquisition of the Aurora uranium assets in Canada adds a significant project to Paladin development pipeline.

- Odin adds an Inferred Mineral Resource of 10.3Mlb U_3O_8 at 0.06% to the Mount Isa Projects' inventory.

- Corporate:
  -US$300M successfully raised via 5 year Convertible Bond expiring Nov 2015
  -Existing US$250M Convertible Bond expiring Dec 2011 successfully bought back
  -Completion of takeover of NGM Resources Ltd.

SUMMARISED INCOME STATEMENT

	Three Months Ended 31 December		Six Months Ended 31December	
	2010 US$M	**2009 US$M**	**2010 US$M**	**2009 US$M**
Revenue	**66.7**	**62.6**	**115.8**	**101.2**
Gross profit	**11.0**	**14.7**	**21.0**	**29.6**
Exploration and evaluation expenses	(4.2)	(4.4)	(9.4)	(9.5)
Other expenses and income	(16.6)	(4.0)	(33.3)	(12.6)
Finance costs	(20.6)	(5.6)	(33.7)	(10.8)
Income tax benefit/(expense)	6.4	(0.1)	21.6	(16.1)
(Loss)/profit after tax	(24.0)	0.6	(33.8)	(19.4)
(Loss)/profit after tax attributable to:				
Non controlling interests	2.7	(0.2)	4.3	0.4
Members of the parent	**(21.3)**	**0.4**	**(29.5)**	**(19.0)**
Loss per share - basic & diluted (U.S. cents)	(3.0)	0.1	(4.1)	(2.9)

ThreeMonths Ended 31 December 2010

References to 2010 and 2009 refer to the equivalent three months ended 31 December 2010 and 2009 respectively.

Revenue increased from US$62.6M to US$66.7M in 2010 as a result of increased sales of uranium of US$66.3M (2009: US$61.9M). Total sales volume for the quarter was 1.274Mlb U_3O_8 (2009: 1.095Mlb). LHM sold 0.944Mlb U_3O_8 and KM sold 0.330Mlb U_3O_8. Total production for the quarter was 1.466Mlb U_3O_8 (2009: 0.987Mlb). LHM produced 0.933Mlb U_3O_8 (2009: 0.842Mlb)and KM produced 0.533Mlb U_3O_8 (2009: 0.145Mlb). The average realised uranium sales price in 2010 was US$52/lb U_3O_8 (2009: US$56/lb).

Delivery quantities under sales contracts are not evenly distributed from month to month. This will result in fluctuations between production and sales between reporting periods.

Gross Profit in 2010 of US$11.0M is lower than in 2009 (US$14.7M) as a result of lower average uranium sales prices despite increased sales volumes. The cost of sales for LHM in 2010 remained relatively stable at US$27/lb U_3O_8 (2009: US$26/lb). The cost of sales for KM in 2010 was US$51/lb U_3O_8 (2009: capital phase). Overall cost of sales has been impacted by higher unit 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 and net realisable value.

Exploration and Evaluation Expenditure of US$4.2M in 2010 related predominantly to the Valhalla/Skal, Isa North and Bigrlyi. Of this total, US$1.3M was spent on the Valhalla/Skal joint venture project, US$1.1M on the Isa North project and US$0.7M on the Bigrlyi joint venture project.

*Other Expenses and Income*has increased from US$4.0M to US$16.6M due to other income in 2009 of US$9.6M relating predominantly to an insurance recoveryand in 2010 costs associated with the acquisitions of NGM Resources Ltd and the Aurora uranium assets together with higher corporate costs associated with expanded operations.

Finance Costs have increased by US$15.0M to US$20.6M despite average borrowings year on year remaining fairly static due to a proportion of the interest payable in 2009 on the convertible bonds and project finance being capitalised as part of the construction of KM andin 2010 the loss on the US$250M convertible bond buy back of US$4.6M. 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, the US$300.0M convertible bonds issued 5 November 2010, US$137.9M project finance for KM and US$32.3M project finance for LHM.

Income Tax Benefit of US$6.4M is higher than the tax charge in 2009 of US$0.1M due to the loss before tax increasing to US$30.4M compared with a profit before tax in 2009 of US$0.7M.

Non-controlling Interest in net losses of US$2.7M has been recorded in 2010 attributable to the 18.0% interest in Summit held by third parties and the 15% interest in Paladin (Africa) Ltd held by the Government of Malawi.

The *Loss after Tax attributable to the members of the parent* for 2010 of US$21.3M is higher than the comparative quarter profit predominantly as a result of higher finance costs in 2010 after cessation of capitalisation of KM and other income in 2009 relating predominantly to an insurance recovery which has been partiallyoffset by the recognition in 2010 of an income tax benefit of US$6.4M.

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

<u>SixMonths Ended 31 December 2010</u>

References to 2010 and 2009 refer to the equivalent six months ended 31 December 2010 and 2009 respectively.

Revenue increased from US$101.2M to US$115.8M in 2010 as a result of increased sales of uranium of US$114.7M (2009: US$100.2M). Total sales volume for the six months was 2.317Mlb U_3O_8 (2009: 1.798Mlb). LHM sold 1.887Mlb U_3O_8 and KM sold 0.430Mlb U_3O_8. Total production for the six monthswas 2.829Mlb U_3O_8 (2009: 1.731Mlb). LHM produced 1.832Mlb U_3O_8 (2009: 1.496Mlb)and KM produced 0.997Mlb U_3O_8 (2009: 0.235Mlb). The average realised uranium sales price in 2010 was US$50/lb U_3O_8 (2009: US$56/lb).

Delivery quantities under sales contracts are not evenly distributed from month to month. This will result in fluctuations between production and sales between reporting periods.

Gross Profit in 2010 of US$21.0M is lower than in 2009 (US$29.6M) as a result of lower average uranium sales prices despite increased sales volumes. The cost of sales for LHM in 2010 remained at US$26/lb U_3O_8 (2009: US$26/lb). The cost of sales for KM in 2010 was US$51/lb U_3O_8(2009:

capital phase). Overall cost of sales has been impacted by higher unit 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 and net realisable value.

Exploration and Evaluation Expenditure of US$9.4M in 2010 related predominantly to the Valhalla/Skal, Isa North, Bigrlyi and Angela. Of this total, US$3.2M was spent on the Valhalla/Skal joint venture project, US$2.1M on the Isa North project and US$1.0M on the Angela joint venture project.

*Other Expenses and Income*has increased from US$12.6M to US$33.3M due to other income in 2009 of US$9.6M relating predominantly to an insurance recoveryand in 2010 costs associated with the acquisition of NGM Resources Ltd and the Aurora uranium assets, the recognition of an impairment of inventory expense of US$3.0M, an increase in foreign exchange loss of US$1.8M andhigher corporate costs associated with expanded operations.

Finance Costs have increased by US$22.9M to US$33.7M despite average borrowings year on year remaining fairly static due to a proportion of the interest payable in 2009 on the convertible bonds and project finance being capitalised as part of the construction of KM and in 2010 the loss on the US$250M convertible bond buy back of US$4.6M. 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, the US$300.0M convertible bonds issued 5November 2010, US$137.9M project finance for KM and US$32.3M project finance for LHM.

Income Tax Benefit of US$21.6M is higher than would be expected from applying the tax rate to the loss before tax due to the additional losses being recognised for the Australian tax group to largely offset the fair value adjustments on investments. The fair value adjustments and deferred tax associated with these adjustments are accounted through the reserves. Additional losses, previously not recognised are required to be recognised to offset the balance of the deferred tax liability in Australia. Recognising these additional losses gives rise to a corresponding income tax benefit for the six months. For 2009 the tax charge of US$16.1M was higher than the prima facie calculation amount due to the impact of foreign currency movements.

Non-controlling Interest in net losses of US$4.3M has been recorded in 2010 attributable to the 18.0% interest in Summit held by third parties and the 15% interest in Paladin (Africa) Ltd held by the Government of Malawi.

The *Loss after Tax attributable to the members of the parent*for 2010 of US$29.5M was higherthan the loss after tax for 2009 of US$19.0M predominantly as a result of higher finance costs in 2010 after cessation of capitalisation of KM and other income in 2009 relating predominantly to an insurance recoverywhich has partially been offset by the recognition in 2010 of an income tax benefit of US$21.6M, a turnaround from the tax charge of US$16.1M in 2009.

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

Summary of Quarterly Financial Results

	2010 Dec Qtr US$M	2010 SepQtr US$M	2010 Jun Qtr US$M	2010 Mar Qtr US$M
Total revenues	66.7	49.1	49.8	53.3
Loss after tax	(21.3)	(8.2)	(26.9)	(7.0)
Basic and diluted loss per share (US cents)	(3.0)	(1.1)	(3.7)	(1.0)

	2009 Dec Qtr US$M	2009 SepQtr US$M	2009 Jun Qtr US$M	2009 Mar Qtr US$M
Total revenues	62.6	38.6	23.2	25.0
Profit/(loss) after tax	0.4	(19.4)	2.1	(6.8)
Basic and diluted profit/(loss) per share (US cents)	0.1	(3.0)	-	(1.1)

Total revenues for the quarters ended March 2010, June 2010, September 2010 and December 2010 have increased when compared to the equivalent comparative quarter as a result of higher sales volumes of uranium. Total revenues for the quarters ended December 2009, March 2010, June 2010, September 2010 and December 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 for the quarter ended December US$21.3M is higher than the comparative quarter profit predominantly as a result of higher finance costs in 2010 after cessation of capitalisation of KM and other income in 2009 relating predominantly to an insurance recoverywhich has been partially offset by the recognition in 2010 of an income tax benefit of US$6.4M.

Loss after tax for the quarter ended September US$8.2M was lower than the loss after tax for 2009 of US$19.4M predominantly as a result of the recognition in 2010 of an income tax benefit of US$15.1M compared to an income tax expense in 2009 of US$16.0M.

Loss after tax for the quarter ended JuneUS$26.9M is higher than the comparative quarter profit as a result of a non-cash income tax benefit recognised for 2009 of US$16.8M whilst a non-cash income tax charge was recognised for 2010 of US$10M.

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

(All figures are in US dollars unless otherwise indicated)

Segment Disclosure (refer to Note 3)

The profit before tax and finance costs of US$27.6M in the Namibian segment of the Company is marginally higher when compared to 2009 as a result of increased sales volumes despite lower average uranium sales prices. In the Malawian segment the Company reflected aloss before tax and finance costs of US$12.3M when compared to 2009 reflecting loss on sale of inventory due to the higher cost of goods sold during ramp-up of production,the recognition of an impairment of inventory expense and foreign exchange loss.Exploration activities have remained relatively consistent from 2009 to 2010. In Unallocatedportion the Company reflected the remaining Income Statement activities, which for 2010 comprises mainly marketing, corporate, finance and administration costs.

SEGMENT GROSS PROFIT

	DECEMBER 2010 QUARTER			SEPTEMBER 2010 QUARTER		
	LHM	**KM**	**TOTAL**	**LHM**	**KM**	**TOTAL**
Volume Sold (lb)	*944,000*	*330,000*	*1,274,000*	*943,000*	*100,000*	*1,043,000*
Average Sales Prices/lb			*US$52/lb*			*US$46/lb*
Revenue			US$66.3M			US$48.4M
Cost of Sales (C1)	US$25.8M	US$16.9M	US$42.7M	US$23.9M	US$5.0M	US$28.9M
Cost of Sales/lb (C1)	*US$27/lb*	*US$51/lb*	*US$33/lb*	*US$26/lb*	*US$50/lb*	*US$28/lb*
Profit after C1 Costs			US$23.6M			US$19.5M
Other Revenue and Costs, mainly Depreciation			US$12.6M			US$9.5M
GROSS PROFIT			**US$11.0M**			**US$10.0M**

Sales of 1,274,000lb at an average of US$52/lb generated revenue of US$66.3M in the quarter ended 31 December 2010. This compares with sales of 1,043,000lb at an average sales price of US$46/lb for the quarter ended 30 September 2010.

Cost of Sales (C1) for LHM in the quarter ended 31 December 2010 remained relatively stable at US$27/lb which reflects a strong production performance from LHM considering the 7% appreciation in the Namibian Dollar from September 2010 quarter to the December 2010 quarter. C1 costs for KMalso remained relatively stable at US$51/lbwhich reflects the slower than anticipated ramp-up.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended 31 December		Six Months Ended 31December	
	2010 US$M	2009 US$M	2010 US$M	2009 US$M
Net (loss)/profit after tax from operations	**(24.0)**	**0.6**	**(33.8)**	**(19.4)**
Net gain/(loss) on available for sale financial assets	**40.4**	**(3.0)**	**48.3**	**(4.6)**
Transfer of available for sale reserve on acquisition	**(3.2)**	**-**	**(3.2)**	**-**
Foreign currency translation	**38.8**	**7.1**	**107.3**	**62.5**
Income tax on items of other comprehensive income	**(14.5)**	**3.3**	**(18.2)**	**2.3**
Total comprehensive income for the period	**37.5**	**8.0**	**100.4**	**40.8**

Three monthsended 31 December 2010

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

Net Gain on Available-for-Sale Financial Assets in 2010 of US$40.4M primarily relates to the fair value increment inDeep Yellow Limited (DYL) (net of tax and foreign exchange movements) attributable to the increase in the DYL share price.

Transfer of available for sale reserve on acquisition relates to the transfer of the NGM available for sale reserve to the cost of the investment in NGM on takeover.

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.

Six months ended 31 December 2010

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

Net Gain on Available-for-Sale Financial Assets in 2010 of US$48.3M primarily relates to the fair value increment in Deep Yellow Limited (DYL) (net of tax and foreign exchange movements) attributable to the increase in the DYL share price.

Transfer of available for sale reserve on acquisition relates to the transfer of US$3.2M for the NGM takeover to the cost of the investment.

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 31 December 2010 Unaudited US$M**	**As at 30 June 2010 Audited US$M**
Total current assets	463.6	515.9
Total non current assets	1,705.1	1,441.7
Total assets	2,168.7	1,957.6
Total current liabilities	128.6	121.4
Total non current liabilities	921.0	879.8
Total liabilities	1,049.6	1,001.2
Net Assets	**1,119.1**	**956.4**

Current Assets have decreased to US$463.6M at 31 December 2010 due to a decrease in cash as well astrade and other receivables which have been partially offset by an increase in inventories and prepayments.

Cash and cash equivalents hasdecreased to US$251.8M at 31 December 2010 as a result of expenditure on the Stage 3 expansion at LHM, investment in working capital required as a result of the increase in production levels at KM, principal repayments for both the LHM and KM project finance facilities, exploration and evaluation project expenditure, finance costs and corporate costs for the six months ended 31 December 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.

Inventories have increased from US$109.3M to US$165.8M at 31 December 2010 due to production volumes of 2.83Mlb U_3O_8 being larger than sales volume for the six monthsof 2.32Mlb U_3O_8, reflecting the increase of stock in transit and converter stocks associated with increased production levels.

Finished goods, at cost and net realisable value, as at 31 December 2010, have increased by US$47.3M to US$125.6Mmainly due to increased production at KM.

Non Current Assets have increased to US$1,705.1M at 31 December 2010 primarily as a result of the foreign exchange movement on the Australian dollar denominated exploration assets, capital expenditure on the Stage 3 expansion at LHM and an increase in the fair value of available-for-sale financial assets primarily attributable to the increase in the DYL share price.

Current Liabilities have increased from US$121.4M to US$128.6M at 31 December 2010 primarily as a result of higher trade and other payables due to the reclassification of US$20.4M of the US$250M convertible bonds to current liabilities that were repaid in January 2011.

Non Current Liabilities have increased from US$879.8M to US$921.0M at 31 December 2010 primarily as a result of an increase in deferred tax liabilities. The deferred tax liabilities have largely increased due to the foreign exchange movement on deferred tax liabilities recognised on the acquisition of the Summit Group in Australia,an increase in the fair value of the available-for-sale financial assets primarily attributable to the increase in the DYL share price and a foreign exchange gain in Namibia.

Segment Disclosure (refer to Note 3)

In the Statement of Financial Position as at 31 December 2010, the Company reflected an increase in assets for the Namibian segment in the period predominantly due to the Stage 3 expansion. For the Malawian segment, an increase in assets occurred in the period predominantly as a result of increased production levels. Exploration assets increased predominantly due to the increases in value of Australian dollar denominated assets and the acquisition of NGM resources Ltd. The reduction in the Unallocated assets reflects the reduction in cash through investment in Stage 3 expansion, repayment of LHM and KM project finance facilities and exploration activities.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Six Months Ended 31 December	
	2010 US$M	**2009 US$M**
Total equity at the beginning of the financial period	956.4	631.2
Total comprehensive income for the period	100.4	40.8
Recognised value of unlisted employee options	9.3	5.2
Movement in other reserves	21.5	-
Contributions of equity, net of transaction costs	31.5	363.8
Total Equity at the End of the Financial Period	**1,119.1**	**1,041.0**

Total Comprehensive Income for the Six Months Ended 31 December 2010 is discussed under the Statement of Comprehensive Income section.

Recognised Value of Unlisted Employee Options and Performance Rights in 2010 totals US$9.3M. During the period no employee options were exercised or granted and399,961 were forfeited with anexercise priceranging from A$4.50 to A$4.59 per share.During the six month period530,580 performance share rights vested and3,707,100 performance share rights were granted with vesting dates ranging from 1 January 2011 to 5 November 2013. Of these 750,000 were issued as fully paid ordinary shares to be held in trust, vesting variously over time up to 1 January 2012 subject to conditions.

Movement in Other Reserves in 2010 of US$21.5M relates to the creation of the non-distributable reserve of US$28.1M from the issue of US$300M of convertible bonds on 5 November 2010 and a US$6.6M transfer to the convertible bond reserveas a result of the US$250M convertible bond buyback.

Contributions of Equity in 2010 of US$31.5M relates to the issue of 7,155,938 shares to acquire NGM Resources Limited and the non-controlling interests participation in Summit Resources Limited's renounceable rights issue. The number of fully paid ordinary shares on issue at 31 December 2010 is 725,579,320, an increase of 8,436,518 during the six month period. Share options of 12,368,794 and performance rights of 7,310,360 remain outstanding at 31 December 2010 to the employees and consultants directly engaged in corporate, mine construction, operations, exploration and evaluation work.

SUMMARISED STATEMENT OF CASH FLOWS

	Three Months Ended 31 December		Six Months Ended 31December	
	2010 US$M	**2009 US$M**	**2010 US$M**	**2009 US$M**
Net cash outflow from operating activities	(45.5)	(13.5)	(72.4)	(22.5)
Net cash outflow from investing activities	(34.8)	(55.7)	(66.0)	(107.3)
Net cash inflow from financing activities	56.9	5.9	40.2	495.0
Net (decrease)/increasein cash held	(23.4)	(63.3)	(98.2)	365.2
Cash at the beginning of the financial period	275.2	494.5	348.8	66.2
Effects of exchange rate changes	-	1.4	1.2	1.2
Cash at the End of the Financial Period	**251.8**	**432.6**	**251.8**	**432.6**

Threemonthsended 31 December 2010

Net Cash Outflow from Operating Activities was US$45.5M in 2010 primarily due to the increase in working capital associated with the increase in production levels. The LHM and KM operations generated US$19.4M in cash in 2010 before investment in working capital required to support higher production and sales levels. Inventory increased by US$36.5M and creditors reduced by US$8.3M. The remaining expenditure was for exploration, corporate, administration, marketing and interest paid.

Net Cash Outflow from Investing Activities was US$34.8M in 2010 as a result primarily of Stage 3 expansion at LHM. The net cash outflow of US$55.7M in 2009 was as a result of mine construction at KM, Stage 2 expansion at LHM and the acquisition of shares in NGM.

Net Cash Inflow from Financing Activities of US$56.9M in 2010 is attributable to the US$300M convertible bond receipt partially offset by thepartial repayment of the US$250m convertible bond, drawdown of project financing for KM and repayment of project financing for both LHM and KM.

Net Decrease in Cash and Cash Equivalents in 2010 was US$23.4M, as compared to the net decrease in cash over the previous corresponding period in 2009 of US$63.3M. The change is predominantly the result of higher sales receipts, issue of the US$300M convertible bond which was partially offset by the partial repayment of the US$250M convertible bond, lower expenditure on capex mainly due to the completion of KM construction and increased expenditure on suppliers and employees due to increased production at KM.

Six months ended 31 December 2010

Net Cash Outflow from Operating Activities was US$72.4M in 2010 primarily due to the investment in working capital associated with the increase in production levels. The LHM and KM operations generated US$35.6M in cash in 2010 before investment in working capital of US$65.3M mainly inventory to fill the stock pipeline to the converter needed to support higher production and sales levels. The remaining expenditure was for exploration, corporate, administration, marketing and interest paid.

Net Cash Outflow from Investing Activities was US$66.0M in 2010 as a result primarily of Stage 3 expansion at LHM. The net cash outflow of US$107.3M in 2009 was as a result of mine construction at KM, Stage 2 expansion at LHM and the acquisition of shares in NGM.

Net Cash Inflow from Financing Activities of US$40.2M in 2010 is attributable to the US$300M convertible bond receipt partially offset by thepartial repayment of the US$250m convertible bond, drawdown of project financing for KM and repayment of project financing for both LHM and KM. The net cash inflow of US$495M in 2009 was attributable to the US$374.2M net proceeds from the share placement and US$145.0M net proceeds from the drawdown of KM project finance facilities.

Net Decrease in Cash and Cash Equivalents in 2010 was US$98.2M, as compared to the net increase in cash over the previous corresponding period in 2009 of US$365.2M. The change is predominantly the result of the US$374.2M net proceeds from the share placement and US$145.0M net proceeds from the drawdown of KM project finance facilities in 2009.

Effect of Exchange Rate Changes on cash balances is a gainof US$1.2M for 2010.

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal source of liquidity as at 31 December 2010 is cash of US$251.8M (30 June 2010: US$348.8M). 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 six months ended 31 December 2010 were uranium sales receipts, proceeds from the issue of convertible bonds and interest received from cash investments.

The remaining amount outstanding on the LHM project finance facilities amounted to US$32.3M.

For KM, the Group has financing facilities totalling US$167.0M which are now fully drawn. At 31 December 2010, US$137.9M remains outstanding.

The following is a summary of the Group's outstanding commitments as at 31 December 2010:

	Total	***Less than 1 yr***	***1 to 5yrs***	***5yrs+ or unknown***
Payments due by period	***US$M***	***US$M***	***US$M***	***US$M***
Tenements	39.7	14.5	24.9	0.3
Mine construction	22.5	22.5	-	-
Property, plant & equipment	6.3	6.3	-	-
Operating leases	7.4	1.5	5.3	0.6
Manyingee acquisition costs	0.8	-	-	0.8
Total commitments	76.7	44.8	30.2	1.7

(All figures are in US dollars unless otherwise indicated)

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A$0.75M (US$0.76M) 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$0.76M) and are subject to the Western Australian Department of Minerals & Energy granting tenements comprising two exploration licence applications. The A$0.75M (US$0.76M) 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 14February 2011Paladin had 725,580,280 fully paid ordinary shares issued and outstanding. The following table sets out the fully paid ordinary outstanding shares and those issuable under the Company Executive Share Option Plan, the Company Employee Performance Share Rights Plan and in relation to the Convertible Bonds:

As at 14 February 2011	**Number**
Outstanding shares	725,580,280
Issuable under Executive Share Option Plan	12,365,794
Issuable under Employee Performance Share Rights Plan	7,298,800
Issuable in relation to the US$325 million Convertible Bonds	49,317,147
Issuable in relation to the US$300 million Convertible Bonds	52,956,752
Total	**847,518,773**

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 31 December 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 sedar.com

TRANSACTIONS WITH RELATED PARTIES

During the six months ended 31 December 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 six months ended 31 December 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 six months ended 31 December 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 31 December 2010.

During the six months the Company continued to have an internal audit function externally contracted to Deloitte Touche Tohmatsu. Internal audit reports and follow-up reviews were completed during the three months and the Company continues to address their recommendations. The resultant changes to the internal controls over financial reporting have improved and will continue to improve the Company's framework of internal control in relation to financial reporting.

SUBSEQUENT EVENTS

Since the end of the half 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 periods with the exception of the following, the financial effects of which have not been provided for in the 31 December 2010 Financial Report:

Issue of Shares

On 13 January 2011, the Company announced the issue of 960 fully paid ordinary shares following the exercise of employee options.

Acquisition of Aurora Uranium Assets

On 1 February 2011, the Company announced that it had completed its previously announced acquisition of the uranium assets of Aurora Energy Resources Inc. ("Aurora") from Fronteer Gold Inc. (TSX-FRG, AMEX-FRG) ("Fronteer"). Paladin now holds title to significant uranium assets within the highly prospective Central Labrador Mineral Belt of Eastern Canada, totalling 83.8Mlb of Measured and Indicated resources and 53.0Mlb of inferred resources across six deposits, including the Michelin, Jacques Lake, Rainbow, Nash, Inda and Gear deposits and has secured control of the most prospective ground within this belt.

The transaction was completed for a total consideration of C$261M via the issuance of 52,097,937 ordinary shares in Paladin at C$5.01. This values the current resources at US$1.90/lb.

With completion of this transaction, Fronteer now holds approximately 6.7% of Paladin's ordinary shares. The shares issued to Fronteer are subject to a four-month hold period under Canadian securities laws. Fronteer has also entered into an agreement that sets out procedures designed to ensure that any disposition of shares by Fronteer will occur in an orderly fashion.

The acquisition will be treated as an acquisition of an asset as the transaction involved the acquisition of exploration licences, the intellectual property surrounding these licences and research performed to date only.

The Directors present their report on the Group consisting of Paladin Energy Ltd and the entities it controlled at the end of, or during, the six months ended 31 December 2010.

Directors

The following persons were Directors of Paladin Energy Ltd (Company) during the whole of the six months and up to the date of this report unless otherwise indicated:

Mr Rick Wayne Crabb (Non-executive Chairman)
Mr John Borshoff (Managing Director/CEO)
Mr Sean Llewelyn (Non-executive Director)
Mr Ian Noble (Non-executive Director) (retired 24 November 2010)
Mr Donald Shumka (Non-executive Director)
Mr Peter Donkin (Non-executive Director) (appointed 1 July 2010)
Mr Philip Baily (Non-executive Director) (appointed 1 October 2010)

Review of Operations

A detailed operational and financial review of the Group is set out on pages 3 to 24 under the sections titled Report to Shareholders and Management Discussion and Analysis.

The loss after tax attributable to the ordinary equity holders for the six months ended 31 December 2010 was US$29.5M (loss after tax of US$19.0M for the six months ended 31 December 2009).

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 26, which forms part of the Directors' Report.

Rounding

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest US$100,000 in accordance with that class order.

This report is made in accordance with a resolution of the Directors.

John Borshoff

Mr John Borshoff
Managing Director/CEO

Perth, Western Australia
14February 2011

Ernst & Young

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

In relation to our review of the financial report of Paladin Energy Ltd for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
Perth
14 February 2011

GHM:NR:Paladin:2010:054

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

	Notes	Three Months Ended 31 December 2010 US$M	Three Months Ended 31 December 2009 US$M	Six Months Ended 31 December 2010 US$M	Six Months Ended 31 December 2009 US$M
Revenue					
Revenue	**4(a)**	66.7	62.6	115.8	101.2
Cost of sales		(42.7)	(43.0)	(71.6)	(61.7)
		24.0	19.6	44.2	39.5
Depreciation and amortisation		(8.9)	(3.3)	(15.8)	(6.6)
Product distribution costs		(2.4)	(0.8)	(4.3)	(1.4)
Royalties		(1.7)	(0.8)	(3.1)	(1.9)
Gross profit		11.0	14.7	21.0	29.6
Other income	**4(b)**	-	9.6	-	9.6
Exploration and evaluation	**11**	(4.2)	(4.4)	(9.4)	(9.5)
Administration and marketing		(14.3)	(11.2)	(25.0)	(18.6)
Other expenses	**4(c)**	(2.3)	(2.3)	(8.3)	(3.5)
Finance costs	**4(d)**	(20.6)	(5.6)	(33.7)	(10.8)
Movement in financial assets classified as heldfor trading		-	(0.1)	-	(0.1)
(Loss)/profit before income tax		(30.4)	0.7	(55.4)	(3.3)
Income tax benefit/(expense)	**5**	6.4	(0.1)	21.6	(16.1)
Net (loss)/profit after tax		(24.0)	0.6	(33.8)	(19.4)
Net (loss)/profitattributable to:					
Non controlling interests		(2.7)	0.2	(4.3)	(0.4)
Members of the parent		(21.3)	0.4	(29.5)	(19.0)
		(24.0)	0.6	(33.8)	(19.4)
(Loss)/profit per share					
(Loss)/profit after tax from operations attributable to ordinary equity holders of the Company					
- basic and diluted (US cents)		(3.0)	0.1	(4.1)	(2.9)

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

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

	Three Months Ended 31 December		Six Months Ended 31December	
	2010 US$M	**2009 US$M**	**2010 US$M**	**2009 US$M**
Net profit/(loss) after tax	(24.0)	0.6	(33.8)	(19.4)
Other comprehensive income				
Net gain/(loss) on available-for-sale financial assets	40.4	(3.0)	48.3	(4.6)
Transfer of Available for Sale Reserve on acquisition	(3.2)	-	(3.2)	-
Foreign currency translation	38.8	7.1	107.3	62.5
Income tax on items of other comprehensive income	(14.5)	3.3	(18.2)	2.3
Other comprehensive income for the period, net of tax	61.5	7.4	134.2	60.2
Total comprehensive income for the period	37.5	8.0	100.4	40.8
Total comprehensive income attributable to:				
Non controlling interests	1.6	1.8	8.4	6.4
Members of the parent	35.9	6.2	92.0	34.4
	37.5	8.0	100.4	40.8

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

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

	Notes	31 December 2010 US$M	30 June 2010 US$M
ASSETS			
Current assets			
Cash and cash equivalents	**6**	251.8	348.8
Trade and other receivables	**7**	19.3	32.3
Prepayments		14.7	13.5
Inventories	**8**	165.8	109.3
Non current assets held for sale		12.0	12.0
TOTAL CURRENT ASSETS		463.6	515.9
Non currentassets			
Trade and other receivables	**7**	1.3	0.3
Inventories	**8**	59.7	40.8
Other financial assets		87.1	35.7
Property, plant and equipment	**9**	583.5	541.1
Mine development	**10**	111.2	119.2
Exploration and evaluation expenditure	**11**	838.4	680.0
Intangible assets	**12**	23.9	24.6
TOTAL NON CURRENT ASSETS		1,705.1	1,441.7
TOTAL ASSETS		2,168.7	1,957.6
LIABILITIES			
Current liabilities			
Trade and other payables		80.8	63.2
Unearned revenue		0.1	0.2
Interest bearing loans and borrowings	**13**	42.9	47.9
Provisions	**14**	4.8	10.1
TOTAL CURRENT LIABILITIES		128.6	121.4
Non current liabilities			
Interest bearing loans and borrowings	**13**	687.0	682.2
Deferred tax liabilities		200.8	164.1
Provisions	**14**	33.2	33.5
TOTAL NON CURRENT LIABILITIES		921.0	879.8
TOTAL LIABILITIES		1,049.6	1,001.2
NET ASSETS		1,119.1	956.4
Equity			
Contributed equity	**15(a)**	1,509.4	1,474.6
Reserves		190.4	42.7
Accumulated losses		(663.6)	(634.1)
Parent interests		1036.2	883.2
Non-controlling interests		82.9	73.2
TOTAL EQUITY		1,119.1	956.4

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

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

	Contributed Equity US$M	Available for Sale Reserve US$M	Share-Based Payments Reserve US$M	Convertible Bond Non-Distrib-utable Reserve US$M	Foreign Exchange Revaluation Reserve US$M	Premium on Acquisition Reserve US$M	Option Application Reserve US$M	Consoli-dation Reserve US$M	Accumu-lated Losses US$M	Owners of the Parent US$M	Non-Controlling Interests US$M	Total US$M
Balance at 1 July 2009	**1,111.6**	**32.5**	**25.9**	**38.9**	**(80.2)**	**14.9**	**0.1**	**(0.2)**	**(581.2)**	**562.3**	**68.9**	**631.2**
Total comprehensive income/(loss) for the six months, net of tax	-	3.1	-	-	50.3	-	-	-	(19.0)	34.4	6.4	40.8
Share-based payment	-	-	5.2	-	-	-	-	-	-	5.2	-	5.2
Contributions of equity, net of transactions costs	363.8	-	-	-	-	-	-	-	-	363.8	-	363.8
Balance at 31 December 2009	**1,475.4**	**35.6**	**31.1**	**38.9**	**(29.9)**	**14.9**	**0.1**	**(0.2)**	**(600.2)**	**965.7**	**75.3**	**1,041.0**
Balance at 1 July 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**
Total comprehensive income/(loss) for the six months, net oftax	2.8	33.0	-	-	85.7	-	-	-	(29.5)	92.0	8.4	100.4
Share-based payment	-	-	9.3	-	-	-	-	-	-	9.3	-	9.3
Vesting of performance rights	1.8	-	(1.8)	-	-	-	-	-	-	-	-	-
Contributions of equity, net of transaction costs	30.2	-	-	-	-	-	-	-	-	30.2	1.3	31.5
Convertible bonds – equity component, net of tax	-	-	-	28.1	-	-	-	-	-	28.1	-	28.1
Convertible bonds – buyback	-	-	-	(6.6)	-	-	-	-	-	(6.6)	-	(6.6)
Balance at 31 December 2010	**1,509.4**	**40.8**	**45.5**	**60.4**	**28.9**	**14.9**	**0.1**	**(0.2)**	**(663.6)**	**1,036.2**	**82.9**	**1,119.1**

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

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

	Three Months Ended 31 December		Six Months Ended 31 December	
	2010 US$M	2009 US$M	2010 US$M	2009 US$M
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	65.5	28.9	128.2	80.4
Payments to suppliers and employees	(101.2)	(39.9)	(176.2)	(86.8)
Exploration and evaluation expenditure	(3.7)	(4.0)	(8.4)	(9.5)
Insurance recovery relating to heat exchangers	-	7.8	-	7.8
Other income	0.1	-	0.1	-
Interest received	0.8	0.5	1.1	0.7
Interest paid	(7.0)	(6.8)	(17.2)	(15.1)
NET CASH OUTFLOW FROMOPERATING ACTIVITIES	(45.5)	(13.5)	(72.4)	(22.5)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment	(34.7)	(55.3)	(65.9)	(105.8)
Payments for available-for-sale financial assets	-	(0.4)	-	(1.5)
Proceeds from sale of property, plant and equipment	0.5	-	0.5	-
Proceeds from disposal of tenements	3.2	-	3.2	-
Payments for controlled entities net of cash acquired	0.1	-	0.1	-
Capitalised exploration expenditure	(3.9)	-	(3.9)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(34.8)	(55.7)	(66.0)	(107.3)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from subsidiary rights issue	1.3	-	1.3	-
Proceeds from share placement	-	-	-	374.2
Equity fundraising costs	-	(0.7)	-	(10.4)
Debt finance facility establishment costs	-	0.2	-	(7.2)
Convertible bond establishment costs	(5.9)	-	(5.9)	-
Repayment of borrowings	(17.6)	(6.6)	(34.3)	(6.6)
Drawdown of borrowings	12.0	13.0	12.0	145.0
Proceeds from convertible bonds	300.0	-	300.0	-
Repayment of convertible bonds	(232.9)	-	(232.9)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES	56.9	5.9	40.2	495.0
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(23.4)	(63.3)	(98.2)	365.2
Cash and cash equivalents at the beginning of the financial period	275.2	494.5	348.8	66.2
Effects of exchange rate changes on cash and cash equivalents	-	1.4	1.2	1.2
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	251.8	432.6	251.8	432.6

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

NOTE 1.CORPORATE INFORMATION

The Half Year Financial Report of Paladin for the six months ended 31 December 2010 was authorised for issue in accordance with a resolution of the Directors on 11 February 2011.

Paladin is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the ASX with additional listings on the Toronto Stock Exchange in Canada; 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 10 to 24.

NOTE 2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose condensedfinancial report for the sixmonths ended 31 December 2010 has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting,* International Financial Reporting Standard, IAS 34 Interim Financial Reportingand the Corporations Act 2001.

In addition to these requirements further information has been included in the Half Year Financial Reportfor the six months ended 31 December 2010 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2010 and any public announcements made by Paladin Energy Ltd during the interim reporting period in accordance with the continuous disclosure requirements of ASX listing rules.

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

From 1 July 2010 the Company has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before1 July 2010.

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

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

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

NOTE 3.SEGMENT INFORMATION

Identification of reportable segments

The Company has identified its operating segments to be Exploration, Namibia and Malawi, on the basis of the nature of the activity and geographical location and different regulatory environments. The main segment activities in Namibia and Malawi is the production and sale of uranium from the mines located in these geographic regions. The Exploration segment is focused on developing exploration and evaluation projects in Australia, Niger and Canada. Previously exploration was disclosed within the Australia segment.Unallocatedportion covers the Company's sales and marketing, treasury, corporate and administration.

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 used 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 isallocated to Malawi with the balance remaining in Unallocated.Corporate costs are allocated to each business segment on a proportionate basis linked to allocation of resources.

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

- Interest revenue

The following tables present revenue, expenditure and asset information regarding geographical segments for the six months ended 31 December 2010 and 31 December 2009.

NOTE 3.SEGMENT INFORMATION (continued)

Six months ended 31 December 2010	**Exploration US$M**	**Namibia US$M**	**Malawi US$M**	**Unallocated US$M**	**Consolidated US$M**
Sales to external customers	-	92.5	22.2	-	114.7
Otherrevenue	-	-	-	1.1	1.1
Total consolidated revenue	**-**	**92.5**	**22.2**	**1.1**	**115.8**
Segment (loss)/profit before income tax and finance costs	(9.0)	27.6	(12.3)	(28.0)	(21.7)
Finance costs	-	(1.8)	(3.1)	(28.8)	(33.7)
Loss before income tax expense				-	(55.4)
Income tax (expense)/benefit	(2.7)	(10.0)	7.0	27.3	21.6
Loss after income tax expense					**(33.8)**
Segment assets/total assets	**843.6**	**423.3**	**581.0**	**320.8**	**2,168.7**

Six months ended 31 December 2009	**Exploration US$M**	**Namibia US$M**	**Malawi US$M**	**Unallocated US$M**	**Consolidated US$M**
Sales to external customers	-	67.2	33.0	-	100.2
Other revenue	-	-	-	1.0	1.0
Total consolidated revenue	**-**	**67.2**	**33.0**	**1.0**	**101.2**
Segment (loss)/profit before income tax and finance costs	(8.1)	26.1	6.3	(16.8)	7.5
Finance costs	-	(2.3)	-	(8.5)	(10.8)
Loss before income tax expense					(3.3)
Income tax (expense)/benefit	(2.4)	(20.4)	(1.7)	8.4	(16.1)
Loss after income tax benefit					**(19.4)**
As at 30 June 2010					
Segment assets/total assets	**684.3**	**365.9**	**528.3**	**379.1**	**1,957.6**

NOTE 4. REVENUE AND EXPENSES

	Three Months Ended 31 December		Six Months Ended 31December	
	2010 US$M	2009 US$M	2010 US$M	2009 US$M
(a) Revenue				
Sale of uranium	66.3	61.9	114.7	100.2
Interest income from non-related parties	0.4	0.7	0.9	0.9
Database licence revenue	-	-	0.1	0.1
Sundry income	-	-	0.1	-
Total revenue	66.7	62.6	115.8	101.2
(b) Other income				
Insurance recovery relating toheat exchangers	-	7.8	-	7.8
Gain on re-estimation of cash flows attributable to a financial liability	-	1.8	-	1.8
Total other income	-	9.6	-	9.6
(c) Other expenses				
Impairment of inventory	-	-	(3.0)	-
Foreign exchange loss (net)	(2.3)	(2.3)	(5.3)	(3.5)
Total other expenses	(2.3)	(2.3)	(8.3)	(3.5)
(d) Finance costs				
Interest expense	(9.2)	(1.1)	(17.5)	(2.1)
Accretion relating to convertible bonds (non-cash)	(3.3)	(2.8)	(6.1)	(5.6)
Loss on convertible bond buyback(non-cash)	(4.6)	-	(4.6)	-
Mine closure provision discount interest expense	(0.4)	(0.6)	(1.0)	(1.1)
Facility costs	(3.1)	(1.1)	(4.5)	(2.0)
Total finance costs	(20.6)	(5.6)	(33.7)	(10.8)

NOTE 5. INCOME TAX

Reconciliation of income tax benefit to prima facie tax payable

	Three Months Ended 31 December		Six Months Ended 31 December	
	2010 US$M	2009 US$M	2010 US$M	2009 US$M
(Loss)/profit before income tax expense	(30.4)	0.7	(55.4)	(3.3)
Tax at the Australian rate of 30% (2009 – 30%)	(9.1)	0.2	(16.6)	(1.0)
Rate difference (Namibia/Malawi)	2.5	1.0	3.9	1.6
Permanent differences	2.9	0.8	6.8	1.6
Foreign exchange (Namibia/Malawi)	(2.1)	(3.7)	(7.5)	12.3
	(5.8)	(1.7)	(13.4)	14.5
Tax benefits arising from previously unrecognised tax losses/deductible temporary differences	(0.6)	1.8	(8.2)	1.6
Income tax (benefit)/expense reported in Income Statement	(6.4)	0.1	(21.6)	16.1

NOTE 6. CASH AND CASH EQUIVALENTS

	31December 2010 US$M	30 June 2010 US$M
Cash at bank and in hand	22.9	13.6
Short-term bank deposits	228.9	335.2
Total cash and cash equivalents	251.8	348.8

Total cash and cash equivalents includes US$23.7Mrestricted for use in respect of the LHM and KM project finance facilities.

NOTE 7. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	0.7	14.2
Less provision for doubtful debts	-	-
Net trade receivables	0.7	14.2
Interest receivables	-	0.2
GST and VAT	9.7	11.0
Sundry debtors	8.9	6.9
Total current receivables	19.3	32.3
Non Current		
Sundry debtors	1.3	0.3
Total non current receivables	1.3	0.3

NOTE 8. INVENTORIES

Current		
Stores and spares (at cost)	26.0	17.9
Stockpiles (at cost)	8.4	8.4
Work-in-progress (at cost)	5.8	4.7
Finished goods (at cost)	59.4	58.4
Finished goods (at net realisable value)	66.2	19.9
Total current inventories at the lower of cost and net realisable value	165.8	109.3
Non Current		
Stockpiles (at cost)	59.7	40.8
Total non current inventories at the lower of cost and net realisable value	59.7	40.8

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	31 December 2010 US$M	30 June 2010 US$M
Plant and equipment – at cost	536.2	531.3
Less accumulated depreciation	(53.9)	(35.5)
Total plant and equipment	482.3	495.8
Land and buildings – at cost	10.5	9.7
Less accumulated depreciation	(1.3)	(1.0)
Total land and buildings	9.2	8.7
Construction work in progress – at cost	92.0	36.6
Total property, plant and equipment	583.5	541.1

NOTE 10. MINE DEVELOPMENT

	31 December 2010 US$M	30 June 2010 US$M
Mine development	121.7	124.8
Less accumulated depreciation	(10.5)	(5.6)
Total mine development	111.2	119.2

NOTE 11. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the expenditures on interests in mineral properties by area of interest for the sixmonths ended 31 December 2010:

Areas of interest	**Valhalla /Skal** [(1)]	**Isa North**	**Fusion**	**Angela/ Pamela**	**Bigrlyi**	**NGM**	**KM**	**LHM**	**Other Uranium Projects**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Balance 30 June 2010	**529.1**	**126.0**	**8.5**	**-**	**15.2**	**-**	**-**	**-**	**1.2**	**680.0**
Acquisition property payments	**-**	**-**	**-**	**-**	**-**	**32.2**	**-**	**-**	**-**	**32.2**
Project exploration and evaluation expenditure										
Labour	0.5	0.5	0.1	0.1	0.2	0.1	0.1	-	0.4	2.0
Outside services	1.8	1.1	0.2	0.6	0.7	0.2	0.1	-	-	4.7
Other expenses	0.9	0.5	0.1	0.3	0.3	0.1	0.2	-	0.3	2.7
Total expenditure	3.2	2.1	0.4	1.0	1.2	0.4	0.4	-	0.7	9.4
Exploration expenditure expensed	(3.2)	(2.1)	(0.4)	(1.0)	(1.2)	(0.4)	(0.4)	-	(0.7)	(9.4)
Exploration expenditure capitalised	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	98.1	23.4	1.7	-	2.8	-	-	-	0.2	126.2
Balance 31 December 2010	**627.2**	**149.4**	**10.2**	**-**	**18.0**	**32.2**	**-**	**-**	**1.4**	**838.4**

(1) Summit has a 50% interest in the Valhalla/Skal Projects with the other 50% interest held directly by the Paladin Group. As a consequence of the takeover of the SummitGroup, the above table now reflects 100% of the Valhalla/Skal Projects with the non controlling interest reflected on the face of the Consolidated Statement of Financial Position.

NOTE 12. INTANGIBLE ASSETS

	31 December 2010 US$M	30 June 2010 US$M
Cost	27.8	27.8
Accumulated amortisation	(3.9)	(3.2)
Net carrying amount of non current intangible assets	23.9	24.6

NOTE 13. INTEREST BEARING LOANS AND BORROWINGS

	Maturity	31 December 2010 US$M	30 June 2010 US$M
Current			
Secured bank loans		42.9	47.9
Non Current			
Unsecured convertible bonds(1)	2011	-	236.7
Unsecured convertible bonds	2013	312.9	310.1
Unsecured convertible bonds(2)	2015	254.8	-
Secured bank loan	2012	16.7	24.0
Secured bank loan(3)	2015	102.6	111.4
Total non current interest bearing loans and borrowings		687.0	682.2

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

(1)On the17 December 2010, the Company announced that pursuant to its tender offer for the repurchase of the US$250M 2011 unsecured convertible bonds that it had repurchased and cancelled US$229.6M bonds. The remaining bond holders were provided notice that the remaining US$20.4M would be redeemed on 18 January 2011. This liability is reflected as a current liability under trade and other payables.

(2)On the5 November 2010, the Company issued US$300M in convertible bonds with an underlying coupon rate of 3.625%, maturity 5 November 2015 and a conversion price of US$5.67 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 have been split into liability (underlying bond) and equity components(conversion rights into Company shares).

Based on this treatment of the convertible bonds, US$259M has been allocated to interest bearing loans and borrowings in non-current liabilities (underlying effective interest rate of 7.47%) and US$41M to non-distributable convertible bond reserve in equity. A deferred tax liability for the bonds of US$12.3M has been recognised through reserves which relates to the equity component of the bond and this deferred tax liability reverses to the Income Statement over the term of the bond.

(3)On the 8 November 2010, the Company drew down a further US$12M on the KM financing facilities which is now fully drawn.

EXPRESSED IN US DOLLARS

NOTE 14. PROVISIONS

Current		
Social responsibility	1.3	1.3
Other provision	-	5.9
Employee benefits	3.5	2.9
Total current provisions	4.8	10.1
Non Current		
Social responsibility	0.2	0.2
Employee benefits	0.2	0.1
Rehabilitation provision	30.7	31.3
Demobilisation provision	2.1	1.9
Total non current provisions	33.2	33.5

NOTE 15.CONTRIBUTED EQUITY

(a) Issued and paid up capital

	31 December		31 December	
	2010	2009	2010	2009
Ordinary shares	Number of Shares		US$M	US$M
Issued and fully paid	725,579,320	717,142,802	1,509.4	1,475.5

(b) Movements in ordinary shares on issue

Date		**Number of Shares**	**Issue Price A$**	**Exchange Rate US$: A$**	**Total US$M**
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				(10.3)
Balance 31 December 2009		**717,142,802**			**1,475.5**
Balance 30 June 2010		717,142,802			1,474.6
August2010	Vesting of share rights	750,000(1)	-	-	-
September 2010	Vesting of share rights	530,580	-	-	-
November 2010	NGM acquisition	7,155,938	4.28	1.01557	30.2
	Transfer from reserves				1.8
	Tax effect on prior period				3.1(2)
	Transaction costs				(0.3)
Balance 31 December2010		**725,579,320**			**1,509.4**
	Shares held in trust	(750,000)(1)			-
Adjusted Balance 31 December 2010		**724,829,320**			**1,509.4**

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

(2)Tax effect of the transactioncosts of the share placement in September 2009.

EXPRESSED IN US DOLLARS

NOTE 15.CONTRIBUTED EQUITY (continued)

(c) Options

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

	31December 2010 Number
Number of unlisted employee options	12,368,794

Consisting of the following:

Date options granted	Exercisable	Expiry date	Exercise price of options	Number under option
1 February 2007	1 February 2010	1 February 2012	A$8.77	2,694,270
29 January 2008	29 January 2011	29 January 2013	A$4.50	7,049,524
15 February 2008	15 February 2011	15 February 2013	A$5.37	300,000
18 April 2008	18 April 2011	18 April 2013	A$4.59	775,000
14 October 2008	14 October 2011	14 October 2013	A$2.54	750,000
11 December 2008	11 December 2011	11 December 2013	A$2.07	300,000
24 June 2009	24 June 2012	24 June 2014	A$4.48	500,000
Total				12,368,794

(d) Performance Share Rights

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

	31December 2010 Number
Number of unlisted employee share rights	7,310,360

Consisting of the following:

Date rights granted	Vesting date	Vesting Performance Conditions	Number
26 March 2010	26 March 2013	Relative total shareholder return	150,000
26 March 2010	26 March 2013	Earnings per share	150,000
26 March 2010	1 September 2011	Time based	677,810
26 March 2010	1 September 2012	Time based	1,126,350
26 March 2010	1 September 2012	Relative total shareholder return	901,080
26 March 2010	1 September 2012	Market price	1,351,620
8 July 2010	1 July 2013	Relative total shareholder return	100,000
8 July 2010	1 July2013	Market price	150,000
5 November 2010	5 November 2013	Relative total shareholder return	250,000
5 November 2010	5 November 2013	Earnings per share	250,000
5 November 2010	1 September 2011	Time based	220,350
5 November 2010	1 September 2012	Time based	330,525
5 November 2010	1 September 2013	Time based	550,875
5 November 2010	1 September 2013	Relative total shareholder return	440,700
5 November 2010	1 September 2013	Market price	661,050
Total			7,310,360

NOTE 16.CONTINGENT LIABILITIES

No change has occurred in the contingent liabilities for the Company from those reported in the Annual Report for the year ended 30 June 2010 except as noted below.

Legal actions

Mount Isa Uranium Joint Venture

On 3 August 2007 the Company's wholly owned subsidiary, Mt Isa Uranium Pty Ltd (MIU) entered into a settlement agreement with respect to proceedings which had been commenced by Summit Resources (Aust) Pty Ltd (SRA) (which had, by the time of the settlement, become ultimately 82.0% owned by the Company) against MIU and the unrelated entity, Resolute Pty Ltd (Summit Proceedings). The Summit Proceedings related to alleged breaches of confidentiality provisions in the Mount Isa Uranium Project joint venture agreement. If successful in the Summit Proceedings, SRA would have been entitled to the transfer of MIU's 50% interest in the Mount Isa Uranium Project joint venture for 85% of its market value.

Areva NC (Australia) Pty Ltd (Areva), being a 10.01% shareholder of 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.

On 3 December 2009, the Company announced that MIU had entered into a conditional agreement with (amongst others) Areva, Resolute Limited and Summit Resources Limited in relation to the Areva intervention proceedings. The agreement was subsequently varied on a number of occasions and the conditions to settlement have recently been satisfied.

As a consequence, as part of the settlement arrangements, Paladin has paidA$3,950,000 to Areva in consideration for the transfer to Paladin of all of Areva's rights under the Strategic Alliance agreement between Areva and the Summit entities.

The benefits of the settlement for the Company include that:

- the dispute with Areva is resolved, thereby paving the way for the Company and Areva to work co-operatively as shareholders of Summit Resources Ltd and;
- the Company thereby controls, amongst other things, the Mt Isa Project sales and marketing rights.

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

Further, the Company has an ultimate 82% interest in SRA. As a consequence, a change in the ownership of the 50% interest in the Mount Isa Uranium joint venture from MIU to SRA would not be of significance to the Company.

EXPRESSED IN US DOLLARS

NOTE 17. ASSET ACQUISITION

Acquisition of NGM Resources Limited

Paladin Energy Ltd acquired a controlling interest on 25 October 2010 of the voting shares of NGM Resources Limited (NGM), a public company based in Australia involved in the exploration for uranium resources in Niger. The takeover was completed on 10 December 2010 with the acquisition of 100% of the issued share capital for the issue of 7,155,938 Paladin shares for a cost of US$30.1M. In addition the existing available for sale investment and investment revaluation reserve of US$2.4M was transferred to form part of the investment.

The acquisition was treated as an acquisition of an asset as the transaction involved the acquisition of exploration licences, the intellectual property surrounding these licences and research performed to date only.

<u>The cash inflow on acquisition is as follows</u>	
Net cash acquired with the subsidiary	0.6
Direct cost relating to acquisition	(0.5)
Net consolidated cash inflow	0.1
<u>Assets acquired</u>	
Cash and cash equivalents	0.6
Other assets	0.2
Exploration and evaluation expenditure	32.2
Other liabilities	(0.5)
Net assets	32.5

NOTE 18. EVENTS AFTER THE BALANCE SHEET DATE

Issue of Shares

On 13January 2011, the Company announced the issue of 960 fully paid ordinary shares following the exercise of employee options.

Acquisition of Aurora Uranium Assets

On 1 February 2011, the Company announced that it had completed its previously announced acquisition of the uranium assets of Aurora Energy Resources Inc. ("Aurora") from Fronteer Gold Inc. (TSX-FRG, AMEX-FRG) ("Fronteer"). Paladin now holds title to significant uranium assets within the highly prospective Central Labrador Mineral Belt of Eastern Canada, totalling 83.8Mlb of Measured and Indicated resources and 53.0Mlb of inferred resources across six deposits, including the Michelin, Jacques Lake, Rainbow, Nash, Inda and Gear deposits and has secured control of the most prospective ground within this belt.

The transaction was completed for a total consideration of C$261M via the issuance of 52,097,937 ordinary shares in Paladin at C$5.01. This values the current resources at US$1.90/lb.

With completion of this transaction, Fronteer now holds approximately 6.7% of Paladin's ordinary shares. The shares issued to Fronteer are subject to a four-month hold period under Canadian securities laws. Fronteer has also entered into an agreement that sets out procedures designed to ensure that any disposition of shares by Fronteer will occur in an orderly fashion.

The acquisition will be treated as an acquisition of an asset as the transaction involved the acquisition of exploration licences, the intellectual property surrounding these licences and research performed to date only.

In accordance with a resolution of the Directors of Paladin Energy Ltd, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the second quarter and half-year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting,* International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr John Borshoff
Managing Director/CEO

Perth, Western Australia
14 February 2011

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To the members of Paladin Energy Ltd

Report on the Second Quarter and Half-Year Financial Report

We have reviewed the accompanying second quarter and half-year financial report of Paladin Energy Ltd, which comprises the statement of financial position as at 31 December 2010, the income statement, statement of comprehensive income and statement of cash flows for the second quarter and half-year ended on that date and the statement of changes in equity for the half-year ended on that date and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Second Quarter and Half-Year Financial Report

The directors of the company are responsible for the preparation of the second quarter and half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the second quarter and half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the second quarter and half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the second quarter and half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Paladin Energy Ltd and the entities it controlled during the half-year. ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

GHM:NR:Paladin:2010:053

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the second quarter and half-year financial report of Paladin Energy Ltd is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the second quarter and half-year ended on that date; and

ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
14 February 2011

GHM:NR:Paladin:2010:053

APPENDIX A

Form 52-109F2 - Certification of interim filings – full certificate

I, John Borshoff, Managing Director and Chief Executive Officer,Paladin Energy Ltd, certify thefollowing:

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the“interim filings”) of Paladin Energy Limited for the interim period ended 31 December 2010.

2. No misrepresentation: Based on my knowledge, having exercised reasonable diligence, theinterim filings do not contain any untrue statement of a material fact or omit to state amaterial fact required to be stated or that is necessary to make a statement not misleading inlight of the circumstances under which it was made, for the period covered by the interimfilings.

3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, theinterim financial statements together with the other financial information included in theinterim filings fairly present in all material respects the financial condition, results ofoperations and cash flows of the issuer, as of the date of and for the periods presented in theinterim filings.

4. Responsibility: The issuer’s other certifying officer and I are responsible for establishing andmaintaining disclosure controls and procedures (DC&P) and internal control over financialreporting (ICFR), as those terms are defined in National Instrument 52-109 Certification ofDisclosure in Issuer’s Annual and Interim Filings, for the issuer.

5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’sother certifying officer and I have, as at the end of the period covered by the interim filings

    (a) designed DC&P, or caused it to be designed under our supervision, to providereasonable assurance that

        (i) material information relating to the issuer is made known to us by others,particularlyduring the period in which the annual filings are being prepared;and

        (ii) information required to be disclosed by the issuer in its annual filings, interimfilings or other reports filed or submitted by it under securities legislation isrecorded, processed, summarized and reported with the time periodsspecified in securities legislation; and

    (b) designed ICFR, or caused it to be designed under our supervision, to providereasonable assurance regarding the reliability of financial reporting and thepreparation of financial statements for external purposes in accordance with theissuer’s GAAP.

5.1 Control Framework: The control framework the issuer’s other certifying officer and I used todesign the issuer’s ICFR is the Internal Control – Integrated Framework issued by theCommittee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 ICFR – material weakness relating to design: N/A

5.3 Limitation on scope of design: N/A

6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change inthe issuer’s ICFR that occurred during the period beginning on 1 July 2010 to 31 December 2010 that has materially affected, or is reasonably likely to materially affect, the issuer’sICFR.

Dated: 14February2011

John Borshoff
Managing Director/CEO

APPENDIX A

Form 52-109F2 - Certification of interim filings – full certificate

I, Garry Korte, Chief Financial Officer, Paladin Energy Ltd, certify the following:

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Paladin Energy Limited for the interim period ended 31 December 2010.

2. No misrepresentation: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.

3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. Responsibility: The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings, for the issuer.

5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported with the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

5.1 Control Framework: The control framework the issuer’s other certifying officer and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 ICFR – material weakness relating to design: N/A

5.3 Limitation on scope of design: N/A

6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on 1 July 2010 to 31 December 2010 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Dated: 14 February 2011

Garry Korte
Chief Financial Officer