



**PALADIN ENERGY LTD**

A.C.N.061 681 098

**FINANCIAL REPORT**

**FOR THE QUARTER ENDING**

**31 MARCH 2009**

# PALADIN ENERGY LTD

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# PALADIN ENERGY LTD

## Report to Shareholders

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*(All figures are in US dollars unless otherwise indicated)*

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### MARKET COMMENTS

Worldwide developments continue to strongly favour nuclear power. In the United States several new build programs have advanced with state-level approvals for proposed reactors in Florida, Georgia and South Carolina. The positive investment climate for new nuclear plants was further demonstrated in the UK by the takeover of British Energy plc by Electricité de France. In Sweden, the long-standing nuclear phase-out laws were repealed, while in Italy and Spain there have been positive steps towards recommitting and expanding nuclear power. Aggressive plans for new nuclear plants continue in India, China, and Russia. Recently, the Chinese Government announced that nuclear power is now planned to reach installed capacity of 75,000Mwe by 2020, an increase of 5,000Mwe from the previous forecast.

The Ux spot price was US\$42/lb U<sub>3</sub>O<sub>8</sub> at the end of March 2009, down US\$11.00/lb U<sub>3</sub>O<sub>8</sub> from the end of December 2008. The Ux long term price indicator was unchanged at US\$70/lb U<sub>3</sub>O<sub>8</sub>. Most recently, uranium market price reporting organizations have been suggesting that a bottom is close and that the spot uranium price could begin to rise during the second quarter.

An indication of the growing concerns regarding future uranium supplies can be seen in recent direct investments by nuclear utilities in uranium companies accompanied by production off-take commitments. Asian-Pacific utilities are especially active in this area as they assess the looming imbalances between increasing annual global uranium requirements and persistent uranium production constraints. Uncertainties regarding the timing and annual production volumes from major new uranium production projects in Africa, Australia and Canada are fueling these investments.

### LANGER HEINRICH URANIUM PROJECT, Namibia (Paladin 100%)

#### Production

Langer Heinrich exceeded nameplate design production for the third consecutive full quarter with 685,874lb U<sub>3</sub>O<sub>8</sub> produced versus 650,000lb for nameplate (i.e. 5.5% above design).

For the second consecutive quarter Langer Heinrich achieved a new record crushed tonnes of 425,030t (design 375,000t) with an average run of mine grade of 1,017ppm U<sub>3</sub>O<sub>8</sub>.

#### Sales

Sales in the quarter were 453,000lb at a value of US\$24.7M, representing an average sales price of US\$54.50/lb. Based upon the attainment of sustainable production, Paladin is implementing a uranium sales program emphasizing further commitments under term uranium sales contracts incorporating sales prices reflective of the current long-term uranium market. Inventory building at the three uranium conversion facilities is continuing on plan.

#### Mining

The increased Stage II mining productivity target was achieved in February 2009 in anticipation of the increase in plant throughput starting in the June quarter. Mining was performed in both Pit A and the new Pit D.

Reconciliation studies between the Mineral Resources and grade control models continue to show a strong correlation.

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### Process Plant

The process plant efficiency was a challenge during the quarter as a result of mining moving into Pit D and the operation initiating a high percentage of this feed into the plant. This material is much harder than previous ore sources and exhibits different breakage characteristics resulting in a higher mass rejection ratio and at least initially a reduced scrubbing efficiency. A temporary mobile crushing circuit was introduced in February for reprocessing the coarse barren rejects and the problem was eliminated.

This Pit D material also has a high mica content which can create problems in the CCD circuit due to its poor settling characteristics resulting in lower underflow densities and reduced wash efficiencies. However, successful results achieved in late March when testing a different flocculent suggest this problem will soon be resolved.

Despite these challenges, uranium production was again higher than all previous quarters and remained above design. Quarterly plant recovery was however lower as a consequence of treating the Pit D material, as indicated below.

	<b>January<sup>*1</sup></b>	<b>February</b>	<b>March<sup>*2</sup></b>	<b>Quarter</b>
Recovery %	72.0	81.8	70.9	74.5

\*<sup>1</sup>: Scrub efficiency down by approximately 6.4% due to Pit D material causing high barren solids values. It should be noted that this uranium was not lost but has been recycled to the plant via a temporary mobile crusher. The Stage II front end up-grades coming on-line this current quarter will also improve performance further.

\*<sup>1</sup>: IX recovery down by approximately 5.7% as a result of leaking valves within the circuit causing high soluble losses. An intensive valve replacement program has eliminated the problem and leak detection facilities are being installed.

\*<sup>2</sup>: Wash efficiency down by approximately 14% (compared to previous quarter) due to the poor CCD settling characteristics of Pit D material.

The overall impact of these abnormal circumstances was a drop in recovery of approximately 8% for the quarter.

As a result of these experiences the ratio of Pit D material fed into the plant is currently being closely controlled at approximately 20% of total feed and results for April reflected a significantly improved performance with final recovery for April at 82.6%. The additional equipment being installed in the Stage II expansion together with revised operating practices will ensure that the Pit D material can now be successfully processed.

Design scrub and leach efficiencies are now regularly achieved (leach efficiency averaged 91.4% for the quarter) and wash efficiencies have improved now that the Stage II expansion of the IX circuit has provided additional resin loading and elution capacity.

Precipitation and drying performance remain well above design rates and product specifications continued to meet customer demands throughout the quarter.

The relining of one leach tank was completed and the tank successfully brought back on line in March. It is now planned to sequentially reline all the existing leach tanks.

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### **Stage II Upgrade Progress**

The construction phase of the Stage II expansion to 3.7Mlb pa  $U_3O_8$  is entering the final phase. All mechanical equipment and vendor packages have been delivered to site and all detailed engineering completed. The construction of the two new 3,600m<sup>3</sup> leach tanks is nearing completion and water fill testing commenced in mid-April.

Two of the four new 35m diameter thickeners have been completed and are ready for water filling and cold commissioning. The remaining two are near completion and will be ready for cold commissioning in May.

The erection of the new Ion Exchange expansion package, as well as the interconnecting steelwork and piping, has been completed. The final tie-ins to the existing system and tank and pump modifications were completed in April.

Pre-commissioning and verification of the various equipment and process circuits is being done progressively as they become available. The commissioning duration and ramp-up period are expected to be relatively short as no new process technologies have been introduced and the availability of experienced operators and operating systems.

Although the construction has slipped by one month, production ramp- up is still expected to be completed in the June quarter with the Stage II nameplate expanded production of 3.7Mlb pa scheduled to be achieved from July 2009.

### **Electricity and Water**

The erection and commissioning of the six 1.7MW motor generator sets and ancillary equipment making up the 10MW Package Power Station was successfully completed and handed over to operations in February. Importantly, the entire process plant can now continue to operate under full grid power blackout conditions.

To date, Namibia has not been subjected to any power outages. In any event, Langer Heinrich now has sufficient diesel generating capacity on site to run without Nampower supplied electricity. In this regard, the operation ran for several days in February on the diesel back-up system and, in addition, was able to make use of the generators during the last week of March when Nampower performed routine maintenance on network infrastructure.

Namwater's schedule for the supply of desalination water to the coastal regions of Namibia appears to be slipping. Despite this possible delay in the supply of desalinated water, it is believed that once the Stage III study is complete, the impact on the expansion project will be minor.

### **Stage III Expansion Planning**

The extension of the Stage III Expansion Study is nearing completion and is being reviewed after which implementation details will be announced.

Funds were approved in the March quarter for the supply of heap leach testwork equipment at site and this work will commence during the June quarter.

### **Exploration EPL3500**

Following completion of the exploration drilling last year and a re-evaluation of the airborne EM data an updated conceptual model for the paleochannel to the west of ML140 is being considered. This information will be used for input into follow-up drill planning.

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### **KAYELEKERA URANIUM PROJECT, Malawi (Paladin 85%)**

The 3.3Mlb pa Kayelekera Uranium Project commenced commissioning in January 2009 and the production ramp-up commenced in late April 2009. The US\$200M Project is currently 97% complete and remains within 5% of budget. The bulk of the remaining construction activities are now focused on the completion of the sulphuric acid plant.

The Kayelekera Uranium Mine was officially opened subsequent to the end of the March quarter on 17 April 2009 by the President of Malawi, His Excellency Dr Bingu wa Muthariika.

Several key project milestones and achievements were successfully completed during the March quarter as set out herein. By the end of March, the plant completed its partial throughput tests using non-mineralised ore and had exceeded nameplate throughput in the crushing and milling circuits. Mineralised ore was introduced into the circuit and the first drummed product was produced in mid April. The plant commissioning and ramp-up phase is progressing well to date and the ramp-up schedule is being maintained with nameplate production anticipated to be reached by January 2010.

In March the Project suffered a very serious safety incident involving a flash fire of thinning spirits in a gypsum precipitation tank. The fire badly injured three Malawian workers and sadly resulted in two subsequent fatalities from the incident. Care and support for the victim's immediate relatives is being provided and ongoing medical treatment is being provided at one of South Africa's specialist hospital facilities.

### **Project Development**

As construction nears finalization, demobilisation and reduction of the 1,600 construction workforce has been progressively undertaken during the quarter. Industrial action resulting in an illegal strike action by approximately 250 local workers took place but was quickly settled. The current wet season has been more prolonged this year with some heavy downpours affecting site and plant access during the quarter. The impact of the industrial action but in particular the extended wet season has delayed the outstanding construction work by about one month; however, commissioning activities have been mainly unaffected.

Activities at site are now focusing on commissioning and plant ramp-up with focus on finalization of outstanding punch listing, painting, piping and electrical works for the uranium plant. The main construction activity is the completion of the sulphuric acid plant which is due to commence commissioning in June. As per the original schedule, sulphuric acid for the commencement of uranium production ramp-up is currently being trucked to site and stored in the completed bulk acid storage facility for use until the sulphuric acid plant becomes fully operational in late June 2009.

Commissioning activities progressed smoothly and first production was achieved in mid April. Process optimisation is ongoing.

Integration of the Operations team into the project commissioning activities is providing good plant training and familiarisation opportunities and a seamless handover to the Operations team is a key project objective.

The following items/areas were completed or substantially completed during the quarter:

- Pre-leach, leaching, resin-in-pulp sections of the process plant (99% complete)
- Tailings neutralisation and disposal sections of the process plant (99% complete)
- Elution, precipitation and product drying/packing (98% complete)
- Plant buildings (98% complete)

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- Field, cable and pipe installation (97% complete)
- Pipe racking (98% complete)
- Sulphuric acid plant (70% complete)

Some plant construction areas remain as scheduled for completion in the June quarter with the primary focus on the sulphuric acid plant.

The site power station has been progressively load commissioned and the tailings storage facility has been operated with initial deposition of non-mineralised tailings product. The fresh water supply facility to the plant has benefited from the long wet season and good storage levels have been achieved from the adjacent catchments.

The Malawi Government's Chinese road building contractor's progress on upgrading the first 13km of the M26 public road from the town of Karonga to the mine site has been hampered by the wet season. During the quarter many major culverts and drains were completed.

### Operations

All senior management staff and second level operational staff positions have been appointed. The main focus of recruiting operations and maintenance personnel during the quarter was successful with many local Malawians employed, especially as tradespersons. The site operations team has been fully integrated into the commissioning team and the level of knowledge for plant operation is high. Progress continues on commissioning and handover of facilities from construction to operations. All 'first fill' reagents and consumables have been delivered.

Open pit mining activities are in full operation with the focus on pit development and the provision of arkose rock for road building and landscaping. A total of 551,150t of material has been removed from the pit in this quarter with a total of 1,667,670t mined from the area since operations began in 2008. Mining of ore zones was purposely delayed until late in the quarter when all key drainage ditches and culverts had been installed and Raw Water Pond (RWP) #2 was available to capture any run-off water that had come in contact with ore. Several open pit benches have been developed and ore mining commenced for commissioning, with a total of 2,100t of ore being mined.

Construction of the permanent mine office and workshop complex continued and is expected to be completed in May 2009 although parts were occupied in April 2009. All capital spares and the majority of operating spares have been ordered and many have commenced arriving on-site.

Environmental and radiation plans have been implemented. An audit of the Radiation Management Plan by an external expert was conducted prior to the introduction of mineralised ore into the plant. Checking of the environmental and radiation control systems have been ongoing and enhanced in readiness for mine and plant operations.

### Project Financing

The Kayelekera Project Financing facility is in place and management expects drawdown will occur late May 2009. Delays in satisfying the remaining conditions precedent for drawdown are procedural with no material items outstanding. With the project close to completion and to date fully equity funded, the majority of the first drawdown will be used to replenish the cash balance of the Company.

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### Community Development

The Garnet Halliday Karonga Water Supply Project and community liaison activities have been progressing well with a sod turning ceremony taking place following the mine opening. The manufacturing of the pipeline has commenced.

### Sales Contracts

Paladin is in the process of finalising documentation for a third uranium sales contract in support of the Kayelekera Uranium Project. The agreement commits Kayelekera to deliver 860,000lb U<sub>3</sub>O<sub>8</sub> to a North American utility during 2012-2013 at sales prices which are reflective of the current long term uranium price.

### Exploration Activity

Exploration concentrated on the tenements located to the north east and south of the Kayelekera Mining Lease. Two targets, the Mpata and Juma Prospects, have been ground mapped and an initial drill program of 6,700m has been planned for both deposits.

### OVERALL PRODUCTION GUIDANCE FOR LANGER HEINRICH AND KAYELEKERA URANIUM PROJECTS

Paladin has entered a very exciting phase of its development into a major uranium mining company and supplier with the Kayelekera mining operation in late stage commissioning/early production ramp-up and the Stage II Langer Heinrich expansion at a similar situation. With these intense operational activities on both sites, detailed scheduling is inherently difficult to predict and delays of one or two months can easily occur either due to late construction finalisation, commissioning hold-ups or dealing with normal technical start-up issues. Despite this, Paladin remains confident that both new facilities will ramp-up in accordance with previously stated schedules and achieve their respective nameplate production targets namely 3.3Mlb pa by January 2010 at Kayelekera and 3.7Mlb pa by early September quarter at Langer Heinrich.

Reflecting the minor delays on both projects as discussed above, management believes it is prudent to modify its production guidance for the fiscal year ending June 2009 to be in the range 3Mlb to 3.1Mlb as compared to the 3.35Mlb in the previous guidance.

### ISA URANIUM JOINT VENTURE, Queensland - (Paladin Energy Ltd 50%, Summit Resources (Aust) Pty Ltd 50% Operator)

The Mount Isa Joint Venture includes the Valhalla and Skal uranium deposits. Resource drilling at Valhalla was completed in late October and a new resource estimate was compiled and announced in the previous quarterly report. A short drilling program at Skal was completed in December and a new resource estimate has now been completed. The Environmental Baseline Study is continuing. Late in the quarter resource definition drilling was recommenced at Valhalla following a protracted wet season.

### New Resource Estimation for Skal Deposit

At Skal a total of 13 RC holes including 2,670m and 3 diamond core holes totalling 463m were completed during the December quarter. The drilling was designed to test additional resource potential at Skal East, which had previously been identified by geological mapping and associated ground geophysical surveys, as well as depth extensions at Skal South.



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

Two of the three holes planned for the extension drilling at Skal South were completed, with the pre-collar for the third prior to the onset of the wet season. It is anticipated that the diamond extension for this hole will be undertaken when drilling activities return to the Skal area following completion of the current Valhalla drilling.

An initial resource estimation for the Skal East deposit has now been completed and is reported below. The resource dataset is comprised of both geochemically assayed grades and downhole gamma logging derived grades following application of appropriate calibration factors. The resource has been classified as Inferred due to the current drilling density. A drill programme has been planned to both infill and extend this promising area as well as add depth and continuity extensions to the adjacent Skal South deposit. It is expected that the resource estimation following this drilling will allow for the re-classification of the Skal resources to higher categories.

### Skal East Mineral Resource at 250ppm U<sub>3</sub>O<sub>8</sub> Cut-off

	<b>Mt</b>	<b>Grade ppm</b>	<b>Tonnes</b>	<b>Mlb</b>
		<b>U<sub>3</sub>O<sub>8</sub></b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>U<sub>3</sub>O<sub>8</sub></b>
<b>Inferred Resources</b>	<b>3.9</b>	<b>455</b>	<b>1,779</b>	<b>3.9</b>

### Skal (All deposits) Mineral Resource at 250ppm U<sub>3</sub>O<sub>8</sub> Cut-off

	<b>Mt</b>	<b>Grade ppm</b>	<b>Tonnes</b>	<b>Mlb</b>
		<b>U<sub>3</sub>O<sub>8</sub></b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>U<sub>3</sub>O<sub>8</sub></b>
<b>Inferred Resources</b>	<b>11.5</b>	<b>483</b>	<b>5,560</b>	<b>12.3</b>

### **Overall Paladin attributed Mineral Resources in Mount Isa Projects**

The total JORC Resources under Summit and Paladin management in the Mount Isa region now 55.4Mlb U<sub>3</sub>O<sub>8</sub> Measured and Indicated Resources and 51.2Mlb U<sub>3</sub>O<sub>8</sub> Inferred Resources. Of this 50.5Mlb U<sub>3</sub>O<sub>8</sub> Measured and Indicated Resources as well as 45.4Mlb U<sub>3</sub>O<sub>8</sub> Inferred Resources (which includes the Fusion mineral resources) are attributable to Paladin. 68% of the Mineral Resources are located at Valhalla; the rest is distributed over the Bikini, Skal, Andersons, Watta orebodies, as well as at Duke Batman and Honey Pot.

Details are as follows:-

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

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Deposit		Measured and Indicated Resources			Inferred Resources			Paladin Share
	Cut-off ppm U <sub>3</sub> O <sub>8</sub>	Mt	Grade ppm	t U <sub>3</sub> O <sub>8</sub>	Mt	Grade ppm	t U <sub>3</sub> O <sub>8</sub>	
Valhalla	230	27.80	891	24,765	7.3	799	5,863	91.0%
Skal	250				11.5	483	5,560	91.0%
Bikini	250				10.1	517	5,200	82.0%
Andersons	230				2.0	1,050	2,100	82.0%
Watta	230				4.2	410	1,720	82.0%
Duke Batman	250	0.5	780	388	1.6	630	1,016	100%
Honey Pot	250				2.6	700	1,799	100%
<b>Total</b>		<b>28.30</b>	<b>889</b>	<b>25,153 (55.4Mlb)</b>	<b>39.3</b>	<b>591</b>	<b>23,258 (51.2Mlb)</b>	
<b>Total Resource Attributable to Paladin</b>		<b>25.80</b>	<b>889</b>	<b>22,924 (50.5Mlb)</b>	<b>34.5</b>	<b>597</b>	<b>20,606 (45.4Mlb)</b>	

### Pre-Feasibility Study

Work has continued on the Pre-Feasibility Study (PFS) for the Valhalla Uranium Project. Encouraging results have been achieved by the on-going metallurgical testwork program and a preliminary flowsheet has been developed. Further testwork is currently being planned to refine this flowsheet and confirm key operating parameters.

This PFS is scheduled for completion during the next quarter.

### MOUNT ISA NORTH URANIUM PROJECT (100% Summit – Paladin 81.9% shareholder)

Exploration continues on Summit's 100% owned Mount Isa North Project where Summit holds 1,938km<sup>2</sup> of applications and granted tenements that are prospective for uranium, copper and base metals. The tenements are centred on the city of Mount Isa. The project includes the Bikini, Watta and Anderson uranium deposits as well as numerous other uranium prospects.

Detailed geological and geophysical groundwork has been completed at the Bikini deposits, which include the Woomera and Mirrioola Prospects to the north and south of Bikini. A drilling program has been planned for both Bikini and Woomera where new targets have been identified. A significant ground mapping programme at the Andersons deposit has identified a number of additional mineralised zones and a limited number of RC holes have been planned to test these targets.

The detailed evaluation of the airborne radiometric and regional gravity data has identified 207 anomalies for follow up work of which 51 are considered priority 1. This work has now started following the cessation of the rains which has allowed for easier ground access to some of the more remote areas.

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### CORPORATE

#### **Fusion Resources Limited Takeover**

During the quarter Paladin completed its off-market scrip takeover of Australian and Toronto Stock Exchange listed minerals exploration company Fusion Resources Limited (Fusion). Fusion is a minerals exploration company with 100% ownership of several uranium exploration projects in the Mount Isa region of Queensland and a portfolio of interests in copper/gold exploration projects in north Queensland. The consideration comprised the issue of 8,135,433 fully paid ordinary Paladin shares.

#### **Paladin Invests in NGM Resources Limited**

During the March quarter Paladin announced it had agreed to invest \$500,000 at 2.5c per share in ASX listed NGM Resources Limited (NGM) to allow it to work on its Niger uranium concessions. Details of the transaction are contained in the ASX release dated 20 March 2009.

#### **Senior Corporate Appointment**

The Company is pleased to announce the appointment of Mr Justin Reid to a senior management position, working within the corporate area. His role will provide additional senior in-house strength and expertise heading a special unit reporting directly to the CEO. He will be working with other executive team members focussing in particular in the area of mergers and acquisitions, post acquisition implementation and high level institutional investor management.

Mr Reid has over ten years' experience within the mining and finance industry and since 2004 has been a Director and Senior Mining Analyst with Cormark Securities Inc., one of Canada's leading independent brokerage firms. Whilst there, Mr. Reid gained a reputation for his astute analysis of the uranium market and related securities. He will relocate from Toronto and be based in Head Office in Perth, Western Australia, commencing 15 June, 2009.

Mr Reid began his career in a geological role with Cominco Ltd (then Teck-Cominco), focusing on international base metal and development projects within North and South America. He holds a Bachelor of Science in Geology from the University of Regina, a Master of Science in Geology from the University of Toronto, and a Master of Business Administration from The Kellogg School of Management at Northwestern University.

Yours faithfully  
Paladin Energy Ltd



JOHN BORSHOFF  
Managing Director/CEO

## **PALADIN ENERGY LTD**

### **Management Discussion and Analysis** *For the Nine Months Ended 31 March 2009* *(All figures are in US dollars unless otherwise indicated)*

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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 nine months ended 31 March 2009. The effective date of this report is 14 May 2009.

The financial information presented in this MD&A has been prepared in accordance with applicable International Financial Reporting Standards (“IFRS”), other mandatory professional reporting requirements and the Corporations Act 2001. Applicable Accounting Standards include Australian Accounting Standards Board (“AASB”) 134 *Interim Financial Reporting*.

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the nine months ended 31 March 2009 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

Additional information relating to the Company, including the Company’s most recent Annual Report for the year ended 30 June 2008 and other public announcements are available at [www.paladinenergy.com.au](http://www.paladinenergy.com.au).

### **FORWARD LOOKING STATEMENTS**

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

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

### **OVERVIEW**

The Company operates in the minerals resources industry with a principal business focus on development and operation of uranium projects in Africa and Australia, as well as evaluation and acquisition opportunities throughout the world. The Company is incorporated under the laws of Western Australia with a primary share market listing on the Australian Stock Exchange and 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.

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### **Management Discussion and Analysis** *For the Nine Months Ended 31 March 2009* *(All figures are in US dollars unless otherwise indicated)*

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The main activities undertaken during the nine months ended 31 March 2009 were:

- Langer Heinrich Uranium Project exceeded nameplate design production for the nine months
  - 75% increase in Ore Reserves
  - 46% increase in Measured and Indicated Resources
  - 64% increase in Inferred Resources
  - Sales revenue of US\$88.949M for the nine months. Sales volume of 1,576,000lb at an average realised price of US\$56/lb
  - Production for the nine months of 2,010,410lb
  - Stage II expansion to a rate of 3.7Mlb U<sub>3</sub>O<sub>8</sub>/pa is now well into the construction phase and undergoing commissioning
  - The Stage III expansion proposal is to be presented for Board approval in June 2009
- Kayelekera Uranium Project (3.3Mlb per annum) officially opened - construction remains on track with commissioning commenced in the January 2009 and the production ramp-up commenced in April 2009. Expect to reach full nameplate production in January 2010.
  - All key commissioning and operations teams have been recruited
  - Third uranium sales contract being finalised
- Valhalla/Skal Uranium Deposits – resource drilling and evaluation continues.
  - Updated resource represents an 18.5% increase in total contained metal and a 46.5% increase in measured and indicated resources
  - Impairment of Mount Isa exploration and evaluation asset by US\$527.642M
- Paladin and Cameco Joint Venture granted Exploration Licence for the Angela Uranium Deposit by the Northern Territory Government
- Corporate
  - Fusion Resources Limited – 100% takeover of Fusion by Paladin was completed
  - Deep Yellow Limited – increase in shareholding to 220,258,461 (19.65% interest) after exercise of 12.5M options and purchase of an additional 48.7M shares
  - Impairment of investment in Deep Yellow Limited of US\$25.983M to its market price at 31 December 2008 as required under the accounting standards
  - NGM Resources Limited – invested US\$290,000 in ASX listed NGM Resources Limited to allow it to work on its Niger uranium concessions

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** *For the Nine Months Ended 31 March 2009* (All figures are in US dollars unless otherwise indicated)

### INCOME STATEMENTS

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
<b>Revenue from continuing operations</b>	<b>25,017</b>	<b>15,250</b>	<b>91,710</b>	<b>62,962</b>
<b>Gross profit</b>	<b>10,754</b>	<b>7,441</b>	<b>39,176</b>	<b>14,278</b>
Exploration and evaluation expenses	(1,791)	(2,491)	(8,193)	(9,097)
Other expenses and income	(6,367)	(12,082)	(24,353)	(28,100)
Impairment of exploration and evaluation	-	-	(753,774)	-
Impairment of available-for-sale financial assets	(21)	-	(26,004)	-
Finance costs	(6,914)	(6,954)	(24,335)	(20,407)
Share of loss of an associate	-	-	(1,012)	-
Income tax (expense)/benefit	(2,593)	5,394	220,190	8,123
Minority interests	155	259	95,989	970
<b>Loss after tax from continuing operations attributable to the ordinary equity holders of the Company</b>	<b>(6,777)</b>	<b>(8,433)</b>	<b>(482,316)</b>	<b>(34,233)</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Loss per Share - basic & diluted	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.78)</b>	<b>(0.06)</b>

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Nine Months Ended 31 March 2009 (All figures are in US dollars unless otherwise indicated)

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#### Three Months Ended 31 March 2009

Note – references to 2008 refer to the equivalent three months ended 31 March 2009.

*Revenue from Continuing Operations* increased to US\$25.017M in 2009 predominantly due to higher contracted sales of uranium of US\$24.678M. 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 in each quarter. Total sales volume for the quarter was 453,000lb and total production for the quarter was 685,874lb.

*Gross Profit* in 2009 of US\$10.754M is higher than in 2008 as a consequence of increased uranium sales and the improved operating performance of Langer Heinrich Uranium Project (LHUP) during the quarter ended 31 March 2009.

*Exploration and Evaluation Expenditure* of US\$1.791M decreased in 2009 compared to 2008 as a result of decreased expenditure on the Valhalla/Skal and Isa North Projects primarily as a result of the significant rains throughout the Mount Isa area. During the quarter, there was ongoing expenditure on the Bigrlyi, Langer Heinrich and Kayelekera Uranium Projects. Of this total, US\$0.978M was spent on the Valhalla/Skal joint venture project.

*Other Expenses and Income* decreased in 2009 by US\$5.715M to US\$6.367M predominantly as a result of lower share-based payments, corporate/marketing and employee benefits expenses and a lower foreign exchange loss.

*Impairment of available-for-sale financial assets* of US\$0.021M due to the recognition of an impairment of the investment held by Summit Resources Ltd in Newland Resources Limited (“NRL”) in 2009. Under the accounting standards, the Company was required to write down the carrying value of its investment in listed company NRL to its market price at 31 March 2009. The carrying value of the investment in NRL was US\$0.582M as at 31 March 2009.

*Finance Costs* remained unchanged at US\$6.914M.

*Income Tax Expense* of US\$2.593M primarily relates to the recognition of Namibian tax expense on operations.

*Minority Interests* credit of US\$0.155M has been recorded in 2009 attributable to the 18.0% of Summit Resources Ltd not owned by the Company.

The loss after tax for 2009 of US\$6.777M was lower than the loss after tax for 2008 of US\$8.433M predominantly as a result of improved operating profitability at LHUP.

#### Nine Months Ended 31 March 2009

Note – references to 2008 refer to the equivalent nine months ended 31 March 2008.

*Revenue from Continuing Operations* increased to US\$91.710M in 2009 as a result of sales of uranium of US\$88.949M. 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 in each quarter. Total sales volume for the nine months was 1,576,000lb and total production for the nine months was 2,010,410lb.

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Nine Months Ended 31 March 2009 (All figures are in US dollars unless otherwise indicated)

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*Gross Profit* in 2009 of US\$39.176M is higher than in 2008 as a consequence of increased uranium sales and the improved operating performance of LHUP during the nine months ended 31 March 2009.

*Exploration and Evaluation Expenditure* of US\$8.193M decreased in 2009 compared to 2008 as a result of decreased expenditure on the Valhalla/Skal and Isa North Projects primarily as a result of the significant rains throughout the Mount Isa area. During the nine months, there was ongoing expenditure on the Bigryli, Langer Heinrich and Kayelekera Uranium Projects. Of this total, US\$4.221M was spent on the Valhalla/Skal joint venture project.

*Other Expenses and Income* decreased in 2009 by US\$3.747M to US\$24.353M predominantly as a result of a US\$1.385M foreign exchange gain in 2009 compared to a US\$4.227M foreign exchange loss in 2008 and a one-off sales contracts expense of US\$2.880M in 2008. This was partly offset by the recognition of an impairment of inventory expense of US\$3.680M in September 2008 quarter as a result of the inventory held by Paladin Nuclear Ltd. No further adjustment has been made.

*Impairment of Mount Isa exploration and evaluation asset* of US\$527.642M (net of Deferred Tax Liability) in the carrying value of the Mount Isa assets. The Paladin Board elected to impair this asset in the December 2008 quarter.

*Impairment of available-for-sale financial assets* of US\$26.004M predominantly due to the recognition of an impairment of the investment in Deep Yellow Limited (DYL) in the quarter ended 31 December 2008. Under the accounting standards, the Company was required to write down the carrying value of its investment in listed company DYL to its market price at 31 December 2008. This does not in any way reflect the Board's confidence in DYL's resource potential and outlook. Following the impairment as at 31 December 2008, the Deep Yellow Limited ("DYL") share price has strengthened and accordingly, no further impairment to the carrying value has been made.

*Finance Costs* increased to US\$24.335M in 2009 reflecting increased average borrowings year on year. This relates primarily to interest payable on the US\$250.000M convertible bonds issued 15 December 2006 and the US\$325.000M convertible bonds issued 11 March 2008.

*Income Tax Benefit* of US\$220.190M is primarily as result of a decrease in deferred tax liabilities. The deferred tax liability substantively arose from the acquisition accounting of Summit Resources Limited with the current period decline reflecting both the impairment of the A\$ exploration carrying value and the foreign exchange movement on this A\$ exploration carrying value.

*Minority Interests* credit of US\$95.989M has been recorded in 2009 attributable to the 18.0% of Summit Resources Ltd not owned by the Company.

The loss after tax for 2009 of US\$482.316M was higher than the loss after tax for 2008 of US\$34.233M predominantly as a result of the recognition of an impairment of the Mount Isa exploration and evaluation asset of US\$527.642M net of the deferred tax liability and of the recognition of an impairment of the investment in DYL by US\$25.983M. The impairment in 2009 was partially offset by improved operating profitability at LHUP.



## PALADIN ENERGY LTD

### **Management Discussion and Analysis** *For the Nine Months Ended 31 March 2009* *(All figures are in US dollars unless otherwise indicated)*

#### Summary of Quarterly Financial Results

	<b>2009 March Qtr US\$'000</b>	<b>2008 Dec Qtr US\$'000</b>	<b>2008 Sep Qtr US\$'000</b>	<b>2008 Jun Qtr US\$'000</b>
Total revenues	25,017	14,247	52,446	38,920
Loss after tax	(6,777)	(470,834)	(4,703)	(1,808)
Basic and diluted loss per share	(0.01)	(0.76)	(0.01)	(0.01)

  

	<b>2008 Mar Qtr US\$'000</b>	<b>2007 Dec Qtr US\$'000</b>	<b>2007 Sep Qtr US\$'000</b>	<b>2007 Jun Qtr US\$'000</b>
Total revenues	15,250	19,397	28,316	6,684
Loss after tax	(8,433)	(11,169)	(14,631)	(17,484)
Basic and diluted loss per share	(0.01)	(0.02)	(0.02)	(0.03)

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

Total revenues for the quarter to 31 December 2008 are lower than the comparative quarter to 31 December 2007 due to shipping and contracted sales schedules.

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

Loss after tax for the quarter to 31 December 2008 is higher than the comparative quarter to 31 December 2007 predominantly as a result of the recognition of an impairment of the Mount Isa exploration and evaluation asset of US\$527.642M net of the deferred tax liability.

#### **Loss Per Share**

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

#### **Segment Disclosure (refer to Note 3)**

In the Namibian geographical segment the Company reflected a higher profit after tax than in 2008 of US\$13.555M as a consequence of the improved operating performance of LHUP and increased sales volume for the nine months ended 31 March 2009. The Malawian geographical segment loss after tax of US\$5.190M relates to exploration and evaluation expenditure and corporate costs. In the Australian geographical segment the Company reflected the remaining Income Statement activities.

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Nine Months Ended 31 March 2009 (All figures are in US dollars unless otherwise indicated)

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<b>BALANCE SHEETS</b>	31 March 2009 US\$'000	30 June 2008 US\$'000
Total Current Assets	265,411	447,853
Total Non Current Assets	1,154,426	2,115,282
Total Assets	1,419,837	2,563,135
Total Current Liabilities	59,483	54,125
Total Non Current Liabilities	857,753	1,079,703
Total Liabilities	917,236	1,133,828
<b>Net Assets</b>	<b>502,601</b>	<b>1,429,307</b>

*Current Assets* have decreased to US\$265.411M as at 31 March 2009 due to a decrease in cash and trade receivables which is partially offset by an increase in inventories.

Cash has decreased to US\$148.812M at 31 March 2009 as a result of expenditure on the construction of the Kayelekera Uranium Project and Stage II expansion at the Langer Heinrich Uranium Project, exploration and evaluation project expenditure, additional Deep Yellow Ltd share investment, finance costs, third party uranium purchases and corporate costs for the nine months ended 31 March 2009. This has been partially offset by the US\$9.244M cash held by Fusion, which was acquired during the March 2009 quarter.

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

Trade and other receivables have decreased to US\$25.736M during the nine months ended 31 March 2009 reflecting the timing of deliveries and therefore recognition of sales as compared to June 2008.

Inventories have increased to US\$90.347M at 31 March 2009 as a result of higher production levels quarter-on-quarter and contracted sales volumes during the nine months ended 31 March 2009. All contracted sales are made in accordance with delivery schedules agreed with each customer from time to time and, as a result, delivery quantities and revenues are not evenly distributed in each quarter.

During the first quarter, the uranium held by Paladin Nuclear Ltd, the Company's recently-established marketing entity, was reduced to net realisable value during the September quarter resulting in an impairment loss of US\$3.680M for the nine months. There were no further adjustments to the uranium held for trading by Paladin Nuclear Ltd in the second or third quarter.

*Non Current Assets* have decreased to US\$1,154.426M at 31 March 2009 primarily as a result of the foreign exchange movement on the Australian dollar denominated exploration assets and an

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Nine Months Ended 31 March 2009 (All figures are in US dollars unless otherwise indicated)

impairment of US\$753.774M in the carrying value of the Mount Isa asset. This was partially offset by the capital expenditure at LHUP and Kayelekera.

*Current Liabilities* have increased from US\$54.125M to US\$59.483M as at 31 March 2009.

*Non Current Liabilities* have decreased from US\$1,079.703M to US\$857.753M at 31 March 2009 primarily as result of a decrease in deferred tax liabilities. The deferred tax liability substantively arose from the acquisition accounting of Summit Resources Limited with the current period decline reflecting both the impairment of the Australian dollar exploration carrying value and the foreign exchange movement on this Australian dollar exploration carrying value. Provisions have increased from US\$8.372M to US\$24.981M predominantly due to the initial recognition of rehabilitation, and mine closure provisions for the Kayelekera Uranium Project and a minor increase in the rehabilitation and mine closure provisions for LHUP.

#### **Segment Disclosure (refer to Note 3)**

In the Balance Sheet as at 31 March 2009, the Company reflected a decrease in the Australian geographical segment assets and liabilities for the nine months as a result of the impairment in the holding value of Mount Isa exploration and evaluation asset, the foreign exchange movement on the Australian dollar denominated exploration assets, decreased cash on hand, decrease in the market value of the investment in DYL and foreign exchange movement on Australian dollar deferred tax liabilities. For the Namibian geographical segment an increase occurred in the nine months in assets and liabilities attributable to the Stage II expansion, operations and exploration and evaluation activities for the LHUP. For the Malawi geographical segment, an increase occurred in the six months in assets and liabilities as a result of mine construction and exploration and evaluation activities for the Kayelekera Uranium Project.

#### **STATEMENTS OF CHANGES IN EQUITY**

	Nine Months Ended 31 March	
	2009 US\$'000	2008 US\$'000
Total Equity at the Beginning of the Financial Period	1,429,307	1,308,386
Loss for the Nine Months Ended 31 March	(482,316)	(34,233)
Foreign Currency Translation Reserve	(385,503)	94,693
Movement in Other Reserves	12,780	(8,716)
Movement in Equity	23,268	11,530
Minority Interests, net of Foreign Currency	(94,935)	(970)
<b>Total Equity at the End of the Financial Period</b>	<b>502,601</b>	<b>1,370,690</b>

*Loss for the Nine Months Ended 31 March 2009* is discussed under the Income Statements section and is an increase from the loss in the comparative period.

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** *For the Nine Months Ended 31 March 2009* *(All figures are in US dollars unless otherwise indicated)*

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

*Movement in Other Reserves* in 2009 of a US\$12.780M increase relates to the transfer to profit and loss of the revaluation decrement attributable to the decrease in Deep Yellow Ltd share price from the prior period (net of tax and foreign exchange movements) and the recognised value of unlisted employee options. Unlisted employee options exercised during the nine months amounted to 2,060,000 with exercise prices ranging from A\$2.80 to A\$5.50. During the nine months 1,250,000 employee options were granted with exercise prices ranging from A\$2.07 to A\$2.54 per share, 1,108,617 were forfeited with exercise prices ranging from A\$4.50 to A\$8.77 per share and 860,000 expired with an exercise price of A\$2.80.

*Movement in Equity* in 2009 of a US\$23.268M increase relates to the issue of 8,135,433 shares for the acquisition of Fusion Resources Limited and the exercise of unlisted employee options. The number of fully paid ordinary shares on issue at 31 March 2009 is 623,692,802, an increase of 10,195,433 during the period.

Share options of 16,298,455 remain outstanding at 31 March 2009 to the employees, and consultants directly engaged in corporate, mine construction, operations, exploration and evaluation work.

*Minority Interests* recognised during the six months relate to the 18.0% interest in Summit Resources Ltd held by third parties. The minority interest changed from 18.1% during the nine months following a renounceable rights issue by Summit Resources Ltd. The Development Agreement for the Kayelekera Uranium Project signed on 23 February 2007 entitles the Government of Malawi to a 15% equity interest in Paladin (Africa) Ltd, the owner of the project, in exchange for reductions of 2.5% in corporate tax, nil rent resource tax payable and royalty offsets. No minority interests have been reflected for this as at 31 March 2009 as Paladin (Africa) Ltd is in a net liability position as a consequence of the Company's policy to previously expense exploration and evaluation expenditure prior to the decision made to proceed to development.

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Nine Months Ended 31 March 2009 (All figures are in US dollars unless otherwise indicated)

#### CASH FLOW STATEMENTS

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Net Cash (Outflow)/Inflow from Operating Activities	(9,202)	(22,605)	1,863	(12,884)
Net Cash Outflow from Investing Activities	(37,330)	(25,315)	(188,639)	(80,651)
Net Cash Inflow from Financing Activities	2,742	315,819	86	327,828
Net (Decrease)/Increase in Cash Held	(43,790)	267,899	(186,690)	234,923
Cash at the Beginning of the Financial Period	192,186	148,991	337,530	182,786
Effects of Exchange Rate Changes	416	96	(2,028)	(93)
<b>Cash at the End of the Financial Period</b>	<b>148,812</b>	<b>416,986</b>	<b>148,812</b>	<b>416,986</b>

#### Three Months Ended 31 March 2009

*Net Cash Outflow from Operating Activities* was US\$9.202M in 2009 primarily due to payments to suppliers and employees of US\$26.276M mainly relating to the mine operations at the LHUP, the growth of the Company and interest payments of US\$8.111M on project finance facilities and convertible bonds which was partly offset by uranium sales receipts of US\$24.741M.

*Net Cash Outflow from Investing Activities* was US\$37.330M in 2009 as a result of mine construction at the Kayelekera Uranium Project, Stage II expansion at LHUP, exploration and evaluation project expenditure and the acquisition of shares in NGM Resources Ltd.

*Net Cash Inflow from Financing Activities* of US\$2.742M in 2008 is attributable to proceeds from the exercise of 1,560,000 unlisted employee options.

*Net Decrease in Cash* in 2009 was US\$43.790M, as compared to the net increase in cash over the previous corresponding period in 2008 of US\$267.899M. The change is predominantly the result of the issue of the US\$325 million convertible bonds in 2008 and significant capital expenditure programme in 2009.

*Effects of Exchange Rate Changes* are a gain of US\$0.416M for 2009 due to exchange rate fluctuations.

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Nine Months Ended 31 March 2009 (All figures are in US dollars unless otherwise indicated)

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#### Nine Months Ended 31 March 2009

*Net Cash Inflow from Operating Activities* was US\$1.863M in 2009 primarily due to uranium sales receipts of US\$104.445M which was partly offset by payments to suppliers and employees of US\$80.101M mainly relating to the mine operations at the LHUP, the growth of the Company and interest payments of US\$25.106M on project finance facilities and convertible bonds.

*Net Cash Outflow from Investing Activities* was US\$188.639M in 2009 as a result of mine construction at the Kayelekera Uranium Project, Stage II expansion at LHUP, exploration and evaluation project expenditure, the acquisition of shares in NGM Resources Ltd, the acquisition of additional investments in Deep Yellow Ltd and third party uranium purchases.

*Net Cash Inflow from Financing Activities* of US\$0.086M in 2009 is attributable to US\$5.163M proceeds from the exercise of 2,060,000 unlisted employee options and US\$1.080M net proceeds from external parties from the Summit Resources Ltd renounceable rights issue which has been partly offset by US\$5.585M repayment of project finance facilities for LHUP.

*Net Decrease in Cash* in 2009 was US\$186.690M, as compared to the net increase in cash over the previous corresponding period in 2008 of US\$234.293M. The change is predominantly the result of the issue of the US\$325 million convertible bonds in 2008 and significant capital expenditure programme in 2009.

*Effects of Exchange Rate Changes* are a loss of US\$2.028M for 2009 due to exchange rate fluctuations.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's principal source of liquidity as at 31 March 2009 is cash of US\$148.812M (30 June 2008: US\$337.530M). The cash is currently invested over a range of maturities with Australian banks with a minimum AA Standard & Poor's credit rating.

The Company's principal sources of cash for the nine months ended 31 March 2009 were uranium sales receipts, interest received from cash investments, proceeds from exercise of unlisted employee options, the rights issue by Summit Resources Ltd and cash acquired on acquisition of Fusion Resources Ltd.

The Company has in place Langer Heinrich project finance facilities of US\$60.684M which have been fully drawn down, leaving available facilities of US\$Nil.

For the Kayelekera Uranium Project the Company has financing totalling US\$167M, consisting of a six year Project Finance Facility of US\$145M, a Standby Cost Overrun Facility of US\$12M and a Performance Bond Facility of US\$10M. The facilities are being provided by Société Générale Corporate and Investment Banking (as inter-creditor agent and commercial lender), Nedbank Capital a division of Nedbank Limited (ECIC lender) and The Standard Bank of South Africa Ltd (as ECIC facility agent and lender). Drawdown on the financing is subject to completion of legal documentation and fulfilment of other conditions precedent usual for this type of funding.

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Nine Months Ended 31 March 2009 (All figures are in US dollars unless otherwise indicated)

The following is a summary of the Company's outstanding commitments as at 31 March 2009:

<b>Payments due by period</b>	<b>Total US\$'000</b>	<b>Less than 1 yr US\$'000</b>	<b>1 to 5 yrs US\$'000</b>	<b>5 yrs+ or unknown US\$'000</b>
Tenements	5,563	5,563	-	-
Mine construction	18,835	18,835	-	-
Operating leases	4,354	672	2,260	1,422
Manyingee acquisition costs	512	-	-	512
<b>Total commitments</b>	<b>29,264</b>	<b>25,070</b>	<b>2,260</b>	<b>1,934</b>

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A\$0.75M (US\$0.512M) 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\$0.512M) and are subject to the Western Australian Department of Minerals & Energy granting tenements comprising 2 exploration licence applications. The A\$0.75M (US\$0.512M) 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 3 months after the date the tenements are granted.

The Company has no other material off balance sheet arrangements.

### **OUTSTANDING SHARE INFORMATION**

As at 14 May 2009 Paladin had 623,692,802 fully paid ordinary shares issued and outstanding. The following table sets out the fully paid ordinary outstanding shares and those issuable under the Company Executive Share Option Plan and in relation to the Convertible Bonds:

<b>As at 14 May 2009</b>	<b>Number</b>
Outstanding shares	623,692,802
Issuable under Executive Share Option Plan	14,527,455
Issuable in relation to the US\$250M Convertible Bonds	32,530,904
Issuable in relation to the US\$325M Convertible Bonds	49,317,147
<b>Total</b>	<b><u>720,068,308</u></b>

### **CRITICAL ACCOUNTING ESTIMATES**

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

## **PALADIN ENERGY LTD**

**Management Discussion and Analysis** *For the Nine Months Ended 31 March 2009*  
*(All figures are in US dollars unless otherwise indicated)*

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### **FINANCIAL INSTRUMENTS**

At 31 March 2009 the Company has exposure to interest rate risk which is the risk that the Company's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate project finance debt or opportunity losses that may arise on fixed rate convertible bonds in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the short-term nature of these financial instruments.

The Company's main foreign currency translation risk is for monetary assets and liabilities of the Namibian and Malawian operations. These are deemed to have a functional currency of United States dollars, and the Company has adopted a presentation currency of United States 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 United States dollars. The Company has no significant monetary foreign currency assets and liabilities apart from Namibian dollar cash, receivables, payables and provisions and Australian dollar cash, payables and deferred tax liabilities.

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

### **TRANSACTIONS WITH RELATED PARTIES**

During the period ended 31 March 2009 no payments were made to Director related entities. Directors of the Company receive standard personal based compensation.

### **DISCLOSURE CONTROLS**

The Company has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Statements for the nine months ended 31 March 2009, associated Management Discussion and Analysis and Report to Shareholders. An evaluation of the Company's disclosure controls and procedures used has been undertaken and concluded that the disclosure controls and procedures were effective.

### **INTERNAL CONTROLS**

The Company has designed appropriate internal controls over financial reporting (ICFR) and ensured that these were in place for the nine months ended 31 March 2009. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Company's Consolidated Financial Statements as at 31 March 2009.

During the year the Company continued to have an internal audit function externally contracted to Deloitte Touche Tohmatsu. Internal audit reports and follow up reviews were completed during the quarter 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.



## **PALADIN ENERGY LTD**

***Management Discussion and Analysis***      *For the Nine Months Ended 31 March 2009*  
*(All figures are in US dollars unless otherwise indicated)*

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### **SUBSEQUENT EVENTS**

#### Fusion Takeover

On the 3 April 2009 the Company announced that the compulsory acquisition period had been completed and a final allotment of fully paid ordinary shares of Paladin was made on 1 April 2009 bringing the total number of shares allotted in respect of the off-market takeover bid to 8,153,433.

#### Kayelekera Uranium Mine Opening

On 20 April 2009 the Company announced that its second mine, the Kayelekera Uranium Mine in Malawi, was officially opened by His Excellency, Dr Bingu wa Mutharika, the President of the Republic of Malawi.

#### Additional Investment in NGM Resources Limited (NGM)

On 14 May 2009 the Company announced that it had exercised its right to acquire a further A\$0.3 million worth of NGM shares. This will increase the Company's investment to 16.7% of NGM.

*The accompanying Consolidated Financial Statements for the nine months ended 31 March 2009 and 31 March 2008 have been prepared in accordance with AASB 134. The effective date of these Consolidated Financial Statements is 14 May 2009.*

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

	Notes	Three Months Ended 31 March		Nine Months Ended 31 March	
		2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
<b>Revenue from continuing operations</b>					
Revenue	4(a)	25,017	15,250	91,710	62,962
Cost of sales		(11,392)	(5,854)	(41,976)	(43,456)
		<u>13,625</u>	<u>9,396</u>	<u>49,734</u>	<u>19,506</u>
Depreciation and amortisation		(1,868)	(1,476)	(6,812)	(3,705)
Product distribution costs		(331)	(136)	(933)	(309)
Royalties		(672)	(343)	(2,813)	(1,214)
<b>Gross profit</b>		<u>10,754</u>	<u>7,441</u>	<u>39,176</u>	<u>14,278</u>
Other income	4(b)	-	-	1,385	-
Exploration and evaluation expenses	10	(1,791)	(2,491)	(8,193)	(9,097)
Other expenses	4(d)	(6,367)	(12,082)	(25,738)	(28,100)
Impairment of exploration and evaluation	10	-	-	(753,774)	-
Impairment of available-for-sale financial assets		(21)	-	(26,004)	-
Finance costs	4(c)	(6,914)	(6,954)	(24,335)	(20,407)
Share of loss of an associate		-	-	(1,012)	-
<b>Loss before income tax (expense)/benefit</b>		<u>(4,339)</u>	<u>(14,086)</u>	<u>(798,495)</u>	<u>(43,326)</u>
Income tax (expense)/benefit		(2,593)	5,394	220,190	8,123
<b>Net loss after tax from continuing operations</b>		<u>(6,932)</u>	<u>(8,692)</u>	<u>(578,305)</u>	<u>(35,203)</u>
Attributable to:					
Minority interests	15	(155)	(259)	(95,989)	(970)
Members of the parent		<u>(6,777)</u>	<u>(8,433)</u>	<u>(482,316)</u>	<u>(34,233)</u>
<b>Loss per share</b>					
Loss after tax from continuing operations attributable to ordinary equity holders of the Company - basic and diluted		<b>US\$ (0.01)</b>	<b>US\$ (0.01)</b>	<b>US\$ (0.78)</b>	<b>US\$ (0.06)</b>

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

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED BALANCE SHEETS**  
EXPRESSED IN US DOLLARS

	Notes	31 March 2009 US\$'000	30 June 2008 US\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	148,812	337,530
Trade and other receivables	6	25,736	39,986
Inventories	7	90,347	68,913
Financial assets held for trading		516	1,424
<b>TOTAL CURRENT ASSETS</b>		<b>265,411</b>	<b>447,853</b>
<b>Non current assets</b>			
Trade and other receivables	6	1,883	-
Other financial assets		22,751	41,743
Investment in associate		874	2,578
Deferred borrowing costs		1,911	1,670
Property, plant and equipment	8	397,241	229,508
Mine development	9	41,100	12,150
Exploration and evaluation expenditure	10	539,663	1,797,998
Deferred tax asset		133,140	13,036
Intangible assets	11	15,863	16,599
<b>TOTAL NON CURRENT ASSETS</b>		<b>1,154,426</b>	<b>2,115,282</b>
<b>TOTAL ASSETS</b>		<b>1,419,837</b>	<b>2,563,135</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		45,000	41,401
Unearned revenue		165	232
Interest bearing loans and borrowings	12	12,869	10,961
Provisions	13	1,449	1,531
<b>TOTAL CURRENT LIABILITIES</b>		<b>59,483</b>	<b>54,125</b>
<b>Non current liabilities</b>			
Trade and other payables		-	7
Unearned revenue		214	475
Interest bearing loans and borrowings	12	575,937	571,511
Deferred tax liabilities		256,621	499,338
Provisions	13	24,981	8,372
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>857,753</b>	<b>1,079,703</b>
<b>TOTAL LIABILITIES</b>		<b>917,236</b>	<b>1,133,828</b>
<b>NET ASSETS</b>		<b>502,601</b>	<b>1,429,307</b>
<b>Equity</b>			
Contributed equity	14(a)	1,111,619	1,088,351
Reserves		(79,403)	234,125
Accumulated losses		(583,273)	(100,957)
Parent interests		448,943	1,221,519
Minority interests	15	53,658	207,788
<b>TOTAL EQUITY</b>		<b>502,601</b>	<b>1,429,307</b>

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

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

	Contributed Equity US\$'000	Reserves US\$'000	Accumulated Losses US\$'000	Minority Interests US\$'000	Total US\$'000
<b>At 1 July 2007</b>	<b>1,075,244</b>	<b>113,299</b>	<b>(64,916)</b>	<b>184,759</b>	<b>1,308,386</b>
Changes in fair value of available-for-sale financial assets	-	(39,540)	-	-	(39,540)
Foreign currency translation	-	80,000	-	14,693	94,693
Income and expense recognised directly in equity	-	40,460	-	14,693	55,153
Loss for the period	-	-	(34,233)	(970)	(35,203)
Total income and expense for the period	-	40,460	(34,233)	13,723	19,950
Recognised value of unlisted employee options over vesting period	-	6,921	-	-	6,921
Exercise of unlisted employee options (Note 14(b))	2,066	(2,066)	-	-	-
Convertible bonds – equity component	-	17,846	-	-	17,846
Contributions of equity, net of transactions costs (Note 14(b))	9,464	-	-	-	9,464
Income tax on items taken directly to equity	-	8,123	-	-	8,123
<b>At 31 March 2008</b>	<b>1,086,774</b>	<b>184,583</b>	<b>(99,149)</b>	<b>198,482</b>	<b>1,370,690</b>
<b>At 1 July 2008</b>	<b>1,088,351</b>	<b>234,125</b>	<b>(100,957)</b>	<b>207,788</b>	<b>1,429,307</b>
Changes in fair value of available-for-sale financial assets	-	(20,933)	-	(12)	(20,945)
Foreign currency translation	-	(326,308)	-	(59,195)	(385,503)
Income and expense recognised directly in equity	-	(347,241)	-	(59,207)	(406,448)
Loss for the period	-	-	(482,316)	(95,989)	(578,305)
Total income and expense for the period	-	(347,241)	(482,316)	(155,196)	(984,753)
Recognised value of unlisted employee options over vesting period	-	8,457	-	-	8,457
Exercise of unlisted employee options (Note 14(b))	2,808	(2,808)	-	-	-
Contributions of equity, net of transactions costs (Note 14(b))	20,460	-	-	1,066	21,526
Income tax on items taken directly to equity	-	94	-	-	94
Transfer to profit & loss of impairment on available-for-sale financial assets	-	27,970	-	-	27,970
<b>At 31 March 2009</b>	<b>1,111,619</b>	<b>(79,403)</b>	<b>(583,273)</b>	<b>53,658</b>	<b>502,601</b>

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

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED CASH FLOW STATEMENTS**  
EXPRESSED IN US DOLLARS

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	24,741	3,278	104,445	46,995
Payments to suppliers and employees	(26,276)	(25,942)	(80,101)	(55,910)
Interest received	400	1,370	2,560	5,823
Interest paid	(8,111)	(1,312)	(25,106)	(10,005)
Other income	44	1	65	213
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	<b>(9,202)</b>	<b>(22,605)</b>	<b>1,863</b>	<b>(12,884)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Exploration and evaluation expenditure	(1,381)	(1,808)	(8,667)	(8,885)
Payments for property, plant and equipment	(44,476)	(25,264)	(171,568)	(55,765)
Proceeds from sale of property, plant and equipment	4	1,757	224	1,757
Payments for available-for-sale financial assets	(290)	-	(11,441)	(17,758)
Proceeds from sale of available-for-sale financial assets	33	-	33	-
Payments for uranium	-	-	(6,000)	-
Payments for controlled entities net of cash acquired	8,780	-	8,780	-
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(37,330)</b>	<b>(25,315)</b>	<b>(188,639)</b>	<b>(80,651)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from exercise of share options	2,807	-	5,163	9,464
Proceeds from rights issue	-	-	1,080	-
Equity fundraising costs	-	-	(124)	-
Loans and borrowings establishment costs	(65)	(10,482)	(448)	(10,903)
Proceeds from borrowings	-	326,301	-	329,267
Repayment of borrowings	-	-	(5,585)	-
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>2,742</b>	<b>315,819</b>	<b>86</b>	<b>327,828</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(43,790)</b>	<b>267,899</b>	<b>(186,690)</b>	<b>234,293</b>
Cash and cash equivalents at the beginning of the financial period	192,186	148,991	337,530	182,786
Effects of exchange rate changes on cash and cash equivalents	416	96	(2,028)	(93)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>148,812</b>	<b>416,986</b>	<b>148,812</b>	<b>416,986</b>

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

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2009**  
EXPRESSED IN US DOLLARS

**NOTE 1. CORPORATE INFORMATION**

The financial report of Paladin Energy Ltd (the Company) for the nine months ended 31 March 2009 was authorised for issue in accordance with a resolution of the directors on 8 May 2009 subject to final drafting.

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

The nature of the operations and principal activities of the Company are described in the Management Discussion and Analysis on pages 12 to 25.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

This financial report for the nine months ended 31 March 2009 has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting*, the Corporations Act 2001 and other mandatory professional reporting requirements.

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the nine months ended 31 March 2009 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 2008 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.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

The financial report is presented in United States dollars and all values are rounded to the nearest thousand dollars (US\$1,000) 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.

Since 1 July 2008 the Company has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Company.

- AASB 2008-10 Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)
- Interpretation 12 and AASB 2007-2 Service Concession Arrangements and consequential amendments to other Australian Accounting Standards
- Interpretation 4 (revised) Determining whether an arrangement contains a lease

The Company has not elected to early adopt any new standards or amendments.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2009**  
EXPRESSED IN US DOLLARS

**NOTE 3. SEGMENT INFORMATION**

The Company's primary segment reporting format is geographical segments as the Company's risks and rates of return are affected predominately by differences in the particular economic environments in which it operates. The Company does not separately disclose any financial information for business segments (secondary reporting) as it only operates in the resources industry.

**Geographical segments - primary reporting**

The Company operates in Australia, Namibia and Malawi. The principal activity in these locations is the exploration, evaluation, development, construction and operation of uranium projects. The Company's geographical segments are determined based on the location of the Company's assets.

The following tables present revenue, expenditure and certain asset, liability and cash flow information regarding geographical segments for the nine months ended 31 March 2009 and 31 March 2008.

<b>Nine Months Ended 31 March 2009</b>	<b>Australia US\$'000</b>	<b>Namibia US\$'000</b>	<b>Malawi US\$'000</b>	<b>Consolidated US\$'000</b>
Sales to external customers	-	88,949	-	88,949
Other revenue	2,465	291	5	2,761
<b>Total segment revenue</b>	<b>2,465</b>	<b>89,240</b>	<b>5</b>	<b>91,710</b>
(Loss)/Profit from continuing operations before income tax (expense)/benefit	(822,713)	27,999	(3,781)	(798,495)
Income tax benefit/(expense)	236,043	(14,444)	(1,409)	220,190
<b>(Loss)/Profit from continuing operations after income tax (expense)/benefit segment result</b>	<b>(586,670)</b>	<b>13,555</b>	<b>(5,190)</b>	<b>(578,305)</b>
<b>Segment assets/total assets</b>	<b>765,154</b>	<b>294,520</b>	<b>360,163</b>	<b>1,419,837</b>
Segment liabilities/total liabilities	737,261	70,265	109,710	917,236
<b>Acquisitions of non current assets</b>	<b>13,907</b>	<b>47,641</b>	<b>160,209</b>	<b>221,757</b>
<b>Cash flow information</b>				
Net cash (outflow)/inflow from operating activities	(21,886)	24,837	(1,088)	1,863
Net cash outflow from investing activities	(17,698)	(38,923)	(132,018)	(188,639)
Net cash inflow/(outflow) from financing activities	509	-	(423)	86
<b>Non cash expenses:</b>				
Depreciation and amortisation	648	8,791	230	9,669
Impairment of inventory	3,680	-	-	3,680
Impairment of exploration and evaluation	753,774	-	-	753,774
Impairment of available-for-sale assets	26,004	-	-	26,004
Share based payments	6,819	949	688	8,456
Finance costs	11,007	1,538	-	12,545

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2009**  
EXPRESSED IN US DOLLARS

**NOTE 3. SEGMENT INFORMATION (continued)**

**Geographical segments – primary reporting (continued)**

<b>Nine Months Ended 31 March 2008</b>	<b>Australia US\$'000</b>	<b>Namibia US\$'000</b>	<b>Malawi US\$'000</b>	<b>Consolidated US\$'000</b>
Sales to external customers	-	57,511	-	57,511
Other revenue	5,102	345	4	5,451
<b>Total segment revenue</b>	<b>5,102</b>	<b>57,856</b>	<b>4</b>	<b>62,962</b>
Profit/(Loss) from continuing operations before income tax benefit	(42,916)	866	(1,276)	(43,326)
Income tax benefit	3,183	4,940	-	8,123
<b>Profit/(Loss) from continuing operations after income tax benefit/segment result</b>	<b>(39,733)</b>	<b>5,806</b>	<b>(1,276)</b>	<b>(35,203)</b>
<b>Total assets/segment assets</b>	<b>2,200,724</b>	<b>191,791</b>	<b>67,096</b>	<b>2,459,611</b>
Segment liabilities	1,071,186	11,655	6,080	1,088,921
<b>Acquisitions of non current assets</b>	<b>20,413</b>	<b>6,166</b>	<b>52,333</b>	<b>78,912</b>
<b>Cash flow information</b>				
Net cash (outflow)/inflow from operating activities	(16,090)	4,004	(798)	(12,884)
Net cash outflow from investing activities	(26,211)	(6,659)	(47,781)	(80,651)
Net cash inflow/(outflow) from financing activities	329,113	-	(1,285)	327,828
<b>Non cash expenses:</b>				
Depreciation and amortisation	604	7,775	92	8,471
Inventory impairment reversal	-	(2,000)	-	(2,000)
Sales contract impairment provision	-	2,880	-	2,880
Share based payments	5,953	698	270	6,921
Finance costs	7,903	476	-	8,379



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2009**  
EXPRESSED IN US DOLLARS

**NOTE 4. REVENUE AND EXPENSES**

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
<b>(a) Revenue</b>				
Sale of uranium	24,678	13,792	88,949	57,511
Interest income from non related parties	255	1,393	2,558	5,113
Database licence revenue	40	55	138	160
Other revenue	44	10	65	178
Total revenue	<u>25,017</u>	<u>15,250</u>	<u>91,710</u>	<u>62,962</u>
<b>(b) Other income</b>				
Foreign exchange gain (net)	-	-	1,385	-
Total other income	<u>-</u>	<u>-</u>	<u>1,385</u>	<u>-</u>
<b>(c) Finance costs</b>				
Interest expense	(2,709)	(4,047)	(11,790)	(12,028)
Non-cash convertible bond interest	(2,781)	(2,081)	(8,345)	(5,860)
Mine closure provision discount interest expense	(234)	(21)	(630)	(476)
Facility costs	(1,190)	(805)	(3,570)	(2,043)
Total finance costs	<u>(6,914)</u>	<u>(6,954)</u>	<u>(24,335)</u>	<u>(20,407)</u>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2009**  
EXPRESSED IN US DOLLARS

**NOTE 4. REVENUE AND EXPENSES (continued)**

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
<b>(d) Other expenses</b>				
Corporate and marketing costs	(2,248)	(2,944)	(8,530)	(8,660)
Employee benefits expense	(1,524)	(2,543)	(4,518)	(4,390)
Share-based payments expense	(2,052)	(2,959)	(7,507)	(6,921)
Minimum lease payments – operating lease	(33)	(103)	(121)	(255)
Sales contracts expense	-	-	-	(2,880)
Impairment of inventory	-	-	(3,680)	-
Movement in financial assets held for trading	(1)	-	(452)	-
Foreign exchange loss (net)	(153)	(3,228)	-	(4,227)
Loss on sale of tenements	(52)	-	(52)	-
Depreciation – property, plant and equipment	(304)	(305)	(878)	(767)
	<hr/>			
Total other expenses	(6,367)	(12,082)	(25,738)	(28,100)

**NOTE 5. CASH AND CASH EQUIVALENTS**

	31 March 2009 US\$'000	30 June 2008 US\$'000
Cash at bank and in hand	17,342	7,206
Short-term bank deposits	131,470	80,587
US\$ treasury bonds	-	249,737
	<hr/>	
Total cash and cash equivalents	148,812	337,530

**NOTE 6. TRADE AND OTHER RECEIVABLES**

**Current**

Trade receivables	13,168	28,664
Less provision for doubtful debts	-	-
Net trade receivables	13,168	28,664
	<hr/>	
Interest receivable	80	72
Prepayments	2,529	1,153
GST and VAT	9,097	5,004
Other receivables	862	5,093
	<hr/>	
Total current receivables	25,736	39,986

**Non Current**

Other receivables	1,883	-
Less provision for doubtful debts	-	-
	<hr/>	
Net other receivables	1,883	-

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2009**  
EXPRESSED IN US DOLLARS

**NOTE 7. INVENTORIES**

	<b>31 March 2009 US\$'000</b>	<b>30 June 2008 US\$'000</b>
Stores and spares (at cost)	6,850	3,872
Stockpiles (at cost)	21,867	13,378
Work-in-progress (at cost)	2,795	5,643
Finished goods (at net realisable value) - third party uranium purchased	28,090	31,770
Finished goods (at cost)	30,745	14,250
Total inventories at the lower of cost and net realisable value	<u>90,347</u>	<u>68,913</u>

**NOTE 8. PROPERTY, PLANT AND EQUIPMENT**

Plant and equipment – at cost	160,443	125,852
Less provision for depreciation	<u>(18,172)</u>	<u>(10,537)</u>
Total plant and equipment	<u>142,271</u>	<u>115,315</u>
Technical database – at cost	618	868
Less provision for amortisation	<u>(586)</u>	<u>(819)</u>
Total technical database	<u>32</u>	<u>49</u>
Land and buildings – at cost	5,651	5,367
Less provision for depreciation	<u>(468)</u>	<u>(300)</u>
Total land and buildings	<u>5,183</u>	<u>5,067</u>
Construction work in progress – at cost	<u>249,755</u>	<u>109,077</u>
Total non current property, plant and equipment	<u>397,241</u>	<u>229,508</u>

**NOTE 9. MINE DEVELOPMENT**

Mine development – at cost	43,722	13,735
Less provision for depreciation	<u>(2,622)</u>	<u>(1,585)</u>
Total mine development	<u>41,100</u>	<u>12,150</u>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2009**  
EXPRESSED IN US DOLLARS

**NOTE 10. EXPLORATION AND EVALUATION EXPENDITURE**

The following table details the expenditures on interests in mineral properties by area of interest for the nine months ended 31 March 2009:

Areas of interest	Valhalla/ Skal Projects <sup>(1)</sup> US\$'000	Isa North Project <sup>(1)</sup> US\$'000	Fusion Res Projects US\$'000	Other Projects Non Uranium <sup>(1)</sup> US\$'000	Bigryli Project US\$'000	Kayelekera Project US\$'000	Langer Heinrich Project US\$'000	Other Uranium Projects US\$'000	Total US\$'000
<b>Balance 30 June 2008</b>	<b>1,389,810</b>	<b>389,857</b>	-	-	<b>17,052</b>	-	-	<b>1,279</b>	<b>1,797,998</b>
<b>Acquisition property payments</b>	-	-	<b>6,437</b>	-	-	-	-	-	<b>6,437</b>
<b>Project exploration and evaluation expenditure</b>									
Tenement costs	-	20	-	-	-	1	-	36	57
Labour	1,027	396	5	14	17	237	-	480	2,176
Consultants and contractors	252	19	7	2	5	3	-	28	316
Materials and utilities	127	14	-	-	4	67	-	41	253
Transportation and communications	132	42	1	-	8	224	-	84	491
Outside services	2,243	52	-	-	3	555	95	91	3,039
Legal and accounting	-	-	-	-	-	-	-	6	6
Camp expenses	32	10	3	-	2	75	-	7	129
Overheads	209	44	-	-	26	27	-	55	361
Joint venture contributions	-	-	-	-	1,304	-	-	-	1,304
Other expenses	199	79	-	-	1	7	-	5	291
<b>Total Expenditure</b>	<b>4,221</b>	<b>676</b>	<b>16</b>	<b>16</b>	<b>1,370</b>	<b>1,196</b>	<b>95</b>	<b>833</b>	<b>8,423</b>
Exploration expenditure expensed	(4,221)	(676)	(16)	(16)	(1,370)	(939)	(122)	(833)	8,193
<b>Exploration expenditure capitalised</b>	-	-	-	-	-	<b>257</b>	<b>(27)</b>	-	<b>230</b>
<b>Foreign exchange differences</b>	<b>(395,351)</b>	<b>(110,716)</b>	<b>360</b>	-	<b>(4,922)</b>	-	-	<b>(369)</b>	<b>(510,998)</b>
<b>Impairment of exploration and evaluation</b>	<b>(574,620)</b>	<b>(179,154)</b>	-	-	-	-	-	-	<b>(753,774)</b>
<b>Transferred to Mine Development</b>	-	-	-	-	-	<b>(257)</b>	<b>27</b>	-	<b>(230)</b>
<b>Balance 31 March 2009</b>	<b>419,839</b>	<b>99,987</b>	<b>6,797</b>	-	<b>12,130</b>	-	-	<b>910</b>	<b>539,663</b>

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

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**NOTE 11. INTANGIBLE ASSETS**

	<b>31 March 2009 US\$'000</b>	<b>30 June 2008 US\$'000</b>
Cost – right to supply of power and water	17,803	17,803
Accumulated amortisation	(1,940)	(1,204)
<b>Net carrying amount of non current intangible assets</b>	<b>15,863</b>	<b>16,599</b>

**NOTE 12. INTEREST BEARING LOANS AND BORROWINGS**

	<b>Maturity</b>		
<b>Current</b>			
Secured bank loan		12,869	10,961
<b>Non Current</b>			
Unsecured convertible bonds	2011	225,227	218,363
Unsecured convertible bonds	2013	303,197	299,050
Secured bank loan	2012	47,513	54,098
<b>Total non current interest bearing loans and borrowings</b>		<b>575,937</b>	<b>571,511</b>

**NOTE 13. PROVISIONS**

	<b>31 March 2009 US\$'000</b>	<b>30 June 2008 US\$'000</b>
<b>Current</b>		
Employee benefits	1,449	1,531
<b>Total current provisions</b>	<b>1,449</b>	<b>1,531</b>
<b>Non Current</b>		
Employee benefits	89	142
Rehabilitation provision	12,236	4,401
Mine closure	11,220	3,829
Mining contractor demobilisation costs	1,436	-
<b>Total non current provisions</b>	<b>24,981</b>	<b>8,372</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 14. CONTRIBUTED EQUITY**

**(a) Issued and paid up capital**

	<b>31 March 2009</b>	<b>30 June 2008</b>	<b>31 March 2009</b>	<b>30 June 2008</b>
<b>Ordinary shares</b>	<b>Number of Shares</b>		<b>US\$'000</b>	<b>US\$'000</b>
Issued and fully paid	623,692,802	613,497,369	1,111,619	1,088,351

**(b) Movements in ordinary shares on issue**

<b>Date</b>	<b>Number of Shares</b>	<b>Issue Price A\$</b>	<b>Exchange Rate US\$ : A\$</b>	<b>Total US\$'000</b>
Balance 30 June 2007	602,437,369			1,075,244
September 2007	Option conversions 250,000	1.00	1.22122	205
November 2007	Option conversions 50,000	1.00	1.08369	46
November 2007	Option conversions 3,270,000	1.00	1.08369	3,017
December 2007	Option conversions 7,000,000	1.00	1.12974	6,196
	Transfer from reserves			2,066
<b>Balance 31 March 2008</b>	<b>613,007,369</b>			<b>1,086,774</b>

<b>Date</b>	<b>Number of Shares</b>	<b>Issue Price A\$</b>	<b>Exchange Rate US\$ : A\$</b>	<b>Total US\$'000</b>
Balance 30 June 2008	613,497,369			1,088,351
July 2008	Option conversions 400,000	5.50	1.04005	2,116
September 2008	Option conversions 100,000	2.80	1.16633	240
January 2009	Option conversions 1,560,000	2.80	1.55581	2,807
February 2009	Fusion acquisition 8,135,433	2.91	1.54760	15,297
	Transfer from reserves			2,808
<b>Balance 31 March 2009</b>	<b>623,692,802</b>			<b>1,111,619</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 14. 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:

	<b>31 March 2009</b> <b>Number</b>
Number of unlisted employee options	16,298,455

Consisting of the following:

Date options granted	Exercisable	Expiry date	Exercise price of options	Number under option
27 April 2006	31 October 2007	28 April 2009	A\$5.50	782,500
27 April 2006	31 October 2008	28 April 2009	A\$5.50	782,500
5 July 2006	5 January 2008	5 July 2009	A\$5.50	100,000
5 July 2006	5 January 2009	5 July 2009	A\$5.50	500,000
20 July 2006	5 January 2008	5 July 2009	A\$5.50	200,000
20 July 2006	5 January 2009	5 July 2009	A\$5.50	200,000
1 February 2007	1 February 2010	1 February 2012	A\$8.77	2,697,970
29 January 2008	29 January 2011	29 January 2013	A\$4.50	7,560,485
15 February 2008	15 February 2009	15 February 2011	A\$5.37	700,000
15 February 2008	15 February 2011	15 February 2013	A\$5.37	450,000
18 April 2008	18 April 2011	18 April 2013	A\$4.59	1,075,000
14 October 2008	14 October 2011	14 October 2013	A\$2.54	750,000
11 December 2008	25 November 2011	25 November 2013	A\$2.14	200,000
11 December 2008	25 November 2011	25 November 2013	A\$2.07	300,000
<b>Total</b>				<b>16,298,455</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 15. MINORITY INTERESTS**

	<b>31 March 2009 US\$'000</b>	<b>30 June 2008 US\$'000</b>
Minority interests comprise:		
Share capital	12,109	11,043
Opening accumulated losses	(8,101)	(6,888)
Reserves	145,639	204,846
Current period loss	(95,989)	(1,213)
	<hr/>	<hr/>
Total minority interests	53,658	207,788

The minority interests recognised relate to the 18.0% interest in Summit Resources Ltd not acquired from the takeover bid that closed on 1 June 2007. The minority interest changed from 18.1% during the nine months ended 31 March 2009 as a result of a renounceable rights issue by Summit Resources Ltd. No minority interests have been reflected for the 15% of Paladin (Africa) Ltd to which the Government of Malawi is entitled as this company is in a net liability position as a consequence of the policy to expense exploration and evaluation expenditure prior to the decision made to proceed to development.

**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 2008 with the exception of the following:

Legal actions

Mount Isa Uranium Joint Venture

On 3 August 2007 the Company's wholly owned subsidiary, Mount Isa Uranium (MIU) entered into a settlement agreement with respect to proceedings which had been commenced by Summit Resources (Aust) Pty Ltd (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, Summit Resources (Aust) Pty Ltd 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 Summit Resources (Aust) Pty Ltd subsequently applied to the Supreme Court of Western Australia for, relevantly, orders under Section 237 of the Corporations Act 2001 to be granted leave to intervene in and effectively re-open the Summit Proceedings, notwithstanding the settlement. The Areva intervention proceedings are ongoing and are listed for a trial commencing on 18 May 2009.



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**NOTE 16. CONTINGENT LIABILITIES (continued)**

The Company does not expect the Areva intervention proceedings to be successful. In any event, even if the Summit Proceedings are re-opened as a consequence of the Areva intervention proceedings, the Company has always remained confident that the Summit Proceedings could be successfully defended. Further, the Company has the benefit of an indemnity from Resolute Mining Ltd (the parent of Resolute Pty Ltd) and an ultimate 82.0% interest in Summit Resources (Aust) Pty Ltd. As a consequence, a change in the ownership of the 50% interest in the Mount Isa Uranium joint venture from MIU to Summit Resources (Aust) Pty Ltd would not be of significance to the Company.

**NOTE 17. EVENTS AFTER THE BALANCE SHEET DATE**

Fusion Takeover

On the 3 April 2009 the Company announced that the compulsory acquisition period had been completed and a final allotment of fully paid ordinary shares of Paladin was made on 1 April 2009 bringing the total number of shares allotted in respect of the off-market takeover bid to 8,153,433.

Kayelekera Uranium Mine Opening

On 20 April 2009 the Company announced that its second mine, the Kayelekera Uranium Mine in Malawi, was officially opened by His Excellency, Dr Bingu wa Mutharika, the President of the Republic of Malawi.

Additional Investment in NGM Resources Limited (NGM)

On 14 May 2009 the Company announced that it had exercised its right to acquire a further A\$0.3 million worth of NGM shares. This will increase the Company's investment to 16.7% of NGM.