



PALADIN RESOURCES LTD

A.C.N. 061 681 098

245 CHURCHILL AVE, SUBIACO WESTERN AUSTRALIA 6008
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Ref: F5492

22 October 2004

The Company Announcements Officer
Australian Stock Exchange Limited
Exchange Centre
20 Bridge St
SYDNEY NSW 2000

Dear Sir/Madam

2004 Annual Report and Notice of Annual General Meeting

Attached please find 2004 Annual Report together with Notice of Annual General Meeting.

Yours faithfully
Paladin Resources Ltd

JOHN BORSHOFF
Managing Director



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NOTICE OF GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

Date of Meeting

23 November 2004

Time of Meeting

10.00am

Place of Meeting

The Celtic Club
48 Ord Street
West Perth, Western Australia

PALADIN RESOURCES LTD
ACN 061 681 098

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Paladin Resources Ltd ("**Company**") will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 23 November 2004 at 10.00am for the purpose of transacting the following business.

AGENDA

BUSINESS

An Explanatory Memorandum containing information in relation to each of the following Resolutions accompanies this Notice of Meeting.

1. FINANCIAL REPORT

To receive the financial report for the year ended 30 June 2004, and the Directors' and Auditors' Reports thereon.

Resolution 1 – Election of Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Mr Rick Crabb be re-elected as a Director".

Resolution 2 – Amendments to the Constitution

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, pursuant to section 136 of the Corporations Act, the Company's Constitution be amended as set out in Annexure B to the Explanatory Memorandum accompanying this Notice of Meeting."

Resolution 3 – Ratification of Previous Issue of 39,500,000 Shares

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.4 of the Listing Rules of the Australian Stock Exchange Ltd and for all other purposes, the Company ratifies the allotment and issue of 39,500,000 fully paid ordinary shares to:

<i>Allottee</i>	<i>Number of Shares</i>	<i>Issue Price</i>	<i>Date</i>
<i>National Nominees Limited</i>	<i>16,557,783</i>	<i>11 cents</i>	<i>09 June 2004</i>
<i>ANZ Nominees Limited</i>	<i>15,442,217</i>	<i>11 cents</i>	<i>09 June 2004</i>
<i>ANZ Nominees Limited</i>	<i>7,500,000</i>	<i>40 cents</i>	<i>October 2004</i>

For the purposes of Resolution 3:

- (1) The shares issued are fully paid ordinary shares which rank pari passu with existing shares.
- (2) The Company will disregard any votes cast on this Resolution 3 by any person who participated in the issue or any associate of that person. However, the Company need not disregard a vote if:
 - it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 – Grant of Options to Rick W Crabb

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That pursuant to Listing Rules 7.1 and 10.14 of the Listing Rules of Australian Stock Exchange Limited, section 208 of the Corporations Act and the Paladin Employee Share Incentive Option Plan, the Company approve and authorise the grant and issue of 3,250,000 options for no consideration, at an exercise price of \$1.00, expiring 3 years from the date of grant, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum) to Rick W Crabb or his nominee."

The Company will in accordance with section 224 of the Corporations Act and the Listing Rules of the ASX, disregard any votes cast on the Resolution by a director of the Company, any person who may participate in the proposed issue or who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed, or any associates of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 – Grant of Options to John Borshoff

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That pursuant to Listing Rules 7.1 and 10.14 of the Listing Rules of Australian Stock Exchange Limited, section 208 of the Corporations Act and the Paladin Employee Share Incentive Option Plan, the Company approve and authorise the grant and issue of up to 3,750,000 options for no consideration, at an exercise price of \$1.00, expiring 3 years from the date of grant, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum) to John Borshoff or his nominee."

The Company will in accordance with section 224 of the Corporations Act and the Listing Rules of the ASX, disregard any votes cast on the Resolution by a director of the Company, any person who may participate in the proposed issue or who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed, or any associates of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 – Grant of Options to Dr Leon Pretorius

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That pursuant to Listing Rules 7.1 and 10.14 of the Listing Rules of Australian Stock Exchange Limited, section 208 of the Corporations Act and the Paladin Employee Share Incentive Option Plan, the Company approve and authorise the grant and issue of up to 3,250,000 options for no consideration, at an exercise price of \$1.00, expiring 3 years from the date of grant, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum) to Leon Pretorius or his nominee."

The Company will in accordance with section 224 of the Corporations Act and the Listing Rules of the ASX, disregard any votes cast on the Resolution by a director of the Company, any person who may participate in the proposed issue or who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed, or any associates of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

For the purpose of Resolutions 1 to 6:

"Company" means Paladin Resources ACN 061 681 098;

"Corporations Act" means the Corporations Act 2001 (Cth);

"Option" means an option to acquire a Share, the terms and conditions of which are set out in Annexure A to the Explanatory Memorandum accompanying this Notice of Meeting; and

"Share" means an ordinary fully paid share issued in the capital of the Company.

Other business

To deal with any other business which may be brought forward in accordance with the Company's Constitution and the Corporations Act 2001 (Cth).

By order of the Board



Gill Swaby

Company Secretary

Dated: 1 October 2004

PROXIES

A shareholder entitled to attend and vote at the above Annual General Meeting of shareholders may appoint not more than two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. A proxy may, but need not be, a shareholder of the Company. Proxy forms must reach the Registered Office of the Company at least 48 hours prior to the Annual General Meeting.

ENTITLEMENT TO VOTE

For the purposes of regulation 7.11.37 of the Corporations Regulations, the Company determines that members holding ordinary shares at the close of business on 21 November 2004 will be entitled to attend and vote at the Annual General Meeting.

PALADIN RESOURCES LTD
ACN 061 681 098

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting ("**Notice**") of the Company.

The Directors of the Company ("**Directors**") recommend shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice:

Annual Accounts

Appropriate time will be devoted to the consideration of the Financial Statements and Reports of the Company for the year ended 30 June 2004.

Resolution 1 - Re-election of Mr Rick Crabb as a Director

Resolution 1 seeks approval for the re-election of Mr Rick Crabb as a director of the Company with effect from the end of the meeting.

The Company's Constitution provides that at each Annual General Meeting one-third of the Directors or, if their number is not a multiple of three, then the number nearest to but not more than one-third of the Directors must retire from office.

Mr Crabb retires from office in accordance with this requirement and submits himself for re-election.

Resolution 2 – Amendments to the Constitution

Resolution 2 seeks approval to amend clause 26 of the Company's Constitution and introduce a new clause 32. The proposed amended clauses are set out in Annexure B to this Explanatory Memorandum. Shareholders can obtain a fully copy of the Constitution by contacting the Company.

The Board of Directors of the Company unanimously recommend that Shareholders vote to approve Resolution 2 to amend the Constitution as noted below.

(a) Clause 32 – Partial Takeover Plebiscites

It is proposed to insert a new clause 32 into the Constitution. The proposed new Clause 32 requires the Company to refuse to register shares acquired under a partial takeover offer unless a resolution is passed by Shareholders approving the offer. The Clause ceases to have effect at the end of 3 years unless renewed.

(i) Effect of Partial Takeover Approval

The effect of the proposed Clause is that if a takeover offer is received for a proportion only of a class of shares in the Company, the Directors are required to convene a meeting of Shareholders to vote on a resolution to approve the partial offer. That meeting must be held at least 15 days before the offer closes.

If no resolution is voted on at least 15 days before the close of the offer, such a resolution is deemed to have been approved.

If the resolution is rejected, the registration of any transfer of shares resulting from that partial offer will be prohibited and, under the Corporations Act 2001 ("Act"), the offer will be ineffective.

If the Clause is adopted, it will expire 3 years after adoption unless renewed by further special resolution.

As at the date of this Explanatory Memorandum, the Directors are not aware of a proposal by a person to acquire a substantial interest in the Company. Further, the Directors are not aware of a proposal by any person to increase the extent of a substantial interest in the Company.

(ii) Potential Advantages and Disadvantages for the Directors and Shareholders of the Company

The procedure available under the proposed Clause 32 enables the Directors to formally ascertain the views of Shareholders in respect of a partial takeover offer.

This ensures that all Shareholders will have an opportunity to study a partial takeover proposal and then attend or be represented by proxy at a meeting of Shareholders called specifically to vote on the proposal. A majority of shares voted at the meeting, excluding the shares of the offeror and its associates, is required for the resolution to be passed. This will permit Shareholders to prevent a partial takeover offer scheme proceeding if they believe that control of the Company should not be permitted to pass under the scheme, and accordingly the terms of any future partial offer are likely to be structured to be attractive to a majority of Shareholders.

It may be argued that the proposal makes a partial offer takeover scheme more difficult to proceed and that, accordingly, such partial offers will be discouraged. This in turn may reduce the opportunities which Shareholders may have to sell some of their shares at an attractive price to persons seeking control of the Company and may reduce any "takeover speculation" element in the Company's share price. It may also be said that the provisions constitute an additional restriction on the ability of individual Shareholders to deal freely with their shares.

The Directors consider that it is in the interests of Shareholders to have a right to vote on a partial takeover and therefore recommend the inclusion of Clause 32 in the proposed Constitution.

(b) Electronic Notification

Clause 26 of the Company's Constitution currently provides that notice of meetings must be served personally or by post. The proposed amendments to Clause 26 update the Constitution by allowing the Company to give notices by person, by sending them by post to the Shareholder's address, or by sending them to the fax number or electronic address nominated by the Shareholder. The amendment also incorporates the recently introduced section 249J(3A) of the Act, which provides that the Company may notify Shareholders of meetings by sending notification to a nominated electronic address, whereby the Shareholder can click to a link to access the full notice and relevant materials.

The Directors believe that the electronic distribution of notices has the potential to reduce the Company's printing and distribution costs. However, the new means of distributing notices will not be compulsory for Shareholders. If, following the passage of Resolution 2, the Company decides to utilize this method of distribution, Shareholders will have the choice to continue receiving notices by post, or to nominate an electronic address to receive notices.

The amendments to clauses 26.2 and 26.3 clarify when notices given by the various means are deemed to be received. Where notice is sent by facsimile or electronic notification, service is deemed to have been served on the day of its transmission, or the following Business Day (as defined in the Constitution) if it is transmitted after 5:00pm or on a non-Business Day.

(c) Appointment of Proxies

Clause 12.17 currently provides that an instrument of proxy:

"(a) shall be in writing under the hand of the appointor or of his attorney, or, if the appointer is a body corporate, either under seal or under the hand of a duly authorised officer, or officers (as the case may be) or attorney;

...

(e) shall not be valid unless the original instrument and the power of attorney or other authority (if any) under which the instrument is signed (duly stamped where necessary) or a certified copy of that proxy, power or authority, is or are deposited at or sent by facsimile transmission to the Registered Office, or deposited at or sent by facsimile transmission to such other place as is specified for that purpose in the notice convening the general meeting, no later than 48 hours prior to the time of the commencement of the general meeting in the place that the general meeting is being convened (or the resumption thereof if the general meeting is adjourned and notice is given in accordance with clause 12.6) as shall be specified in the notice convening the general meeting (or the notice under clause 12.6, as the case may be);"

The proposed amendments to clause 12.17 will enable the Company to accept proxy forms from shareholders electronically.

In particular, under the proposed amendment to clause 12.17 instruments of proxy would be permitted to be transmitted to an electronic address specified in the relevant notice of meeting, in addition to being sent by post or facsimile.

Such instruments of proxy will not need to be physically signed by shareholders, but will be taken to be signed in accordance with clause 12.17 if they have been "authenticated" in a

manner approved by the Directors in accordance with the Corporations Act. The Corporations Regulations provide that such authentication must include:

- a method of identifying the shareholder, which must be done by personal details (such as the member's name, address and date of birth); and
- an indication of the shareholder's approval of the information communicated, which must be done by a form of security protection (such as the entering of a confidential shareholder registration number, or holder identification number).

The proposed amendments reflect recent changes to the Corporations Act and Corporations Regulations.

Resolution 3 – Ratification of Previous Issue of 39,500,000 Shares

Listing Rule 7.4

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such a ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the company without requiring shareholder approval.

Information for shareholders

Resolution 3 has been included so that shareholders may approve and ratify pursuant to Listing Rule 7.4 the issue of a total of 39,500,000 fully paid ordinary shares in the capital of the Company to those parties and on those prices detailed in Resolution 3.

Funds raised from these issues were for working capital and to assist in the funding of the Langer Heinrich Bankable Feasibility Study and the Kayelekera Uranium Project.

The Company wishes to ratify the issues to those parties named in Resolution 3 pursuant to Listing Rule 7.4 in order to allow the Company to have the right to place up to a further 15% of its issued capital at any time during the next 12 months. The terms of the fully paid ordinary shares issued are the same as the existing ordinary shares on issue and, accordingly, rank equally in all respects with the existing ordinary shares on issue.

RESOLUTIONS 4 TO 6 – GRANT OF OPTIONS TO DIRECTORS

Shareholder approval is being sought in Resolutions 4 to 6 to grant a total of 10,250,000 Options to the Directors of the Company, Messrs Rick W Crabb and John Borshoff, and Dr Leon Pretorius or their respective nominees.

The grant of Options is designed to encourage the recipients to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. Under the Company's current circumstances the Directors consider that the incentives to the parties noted above, represented by the issue of these Options, are a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to the Directors.

The number of Options to be granted to each of the Directors has been determined based upon a consideration of:

- The remuneration of the directors – the directors wish to ensure that the remuneration offered is competitive with market standards and where appropriate, based upon performance hurdles. The directors have generally reviewed a selection of comparable companies to determine market conditions generally and consider the proposed number of Options to be issued will ensure that the Directors' overall remuneration is in line with market standards. Further, in addition to the exercise price being well above the current Share price, the Options will only vest on the Company achieving a positive Bankable Feasibility Study on its Langer Heinrich Uranium Project together with acceptable financing for the Project.
- Length of service to the Company;
- Incentives to ensure continuity of service of the Directors who have extensive knowledge of the Company and its assets.

The Directors have determined the exercise price in light of the recent price of Shares in the Company. In this regard, in the 12 month period before the issue of this Notice of Meeting, the highest price of Shares was 60 cents on 29 September 2004 and the lowest price was 1.8 cents on 18 October 2003. The latest available closing price prior to the date of the Notice of Meeting was 58 cents. In respect of the 10,250,000 Options to be granted to the Directors, the exercise price of \$1.00 is 132% above the weighted average closing share price (43 cents) on the ASX over the 5 trading days preceding the date of this Notice of Meeting.

Shareholders should note however that the exercise of Options is subject to the achievement of the milestone noted above.

In the event the Options are exercised, the following amounts will need to be paid to the Company by the Directors:-

Director	Amount to be paid
Rick W Crabb	\$3,250,000
John Borshoff	\$3,750,000
L Pretorius	\$3,250,000

The Company will therefore receive \$10,250,000 from the Directors.

Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

1. the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
2. prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each of the Directors are considered to be related parties of the Company.

Resolutions 4 to 6 provide for the grant of Options to the Directors of the Company which is a financial benefit which requires shareholder approval.

Current Holdings

Set out below are details of each of the Directors' relevant interest in the securities of the Company as at the date of this Notice:

Directors	Direct Holdings and those of Associates	Shares	Unlisted Options	Unlisted Options
Rick W Crabb (Note 1)	R W Crabb. Westessa Holdings Pty Limited Rick Wayne Crabb & Carol Jean Crabb (Intermax Fund A/C)	2,029,218 187,478 3,248,050	*1,000,000	**2,250,000 *** 750,000
John Borshoff (Note 2)	J Borshoff Aylworth Holdings Pty Limited Scomac Pty Ltd Scomac Management Services Pty Limited	525,157 12,476,237 10,000 80,000	*1,500,000	**2,500,000 ***1,000,000
Dr Leon Pretorius	L E Pretorius	8,550,000		**2,250,000 *** 750,000

* Exercisable at 15 cents on or before 30 November 2004.

** Exercisable at 22 cents on or before 26 May 2006.

*** Exercisable at 32 cents on or before 26 May 2006.

Notes:

1. 187,478 Shares are held by Westessa Holdings Pty Limited, of which R W Crabb is one of two directors and holds 1 fully paid share out of a total issued capital of 5,001 fully paid shares. 2,029,218 fully paid shares and 1,000,000 unlisted options are held personally by R W Crabb.

3,248,050 fully paid shares and 3,000,000 unlisted options are held by Rick Wayne Crabb & Carol Jean Crabb (Intermax Fund A/C).

2. 2,386,222 Shares and 3,500,000 unlisted options are held by Aylworth Holdings Pty Limited in trust for the discretionary trust known as the J and R D Borshoff Family Trust. J Borshoff is a primary beneficiary of this trust.

10,090,015 Shares are held by Aylworth Holdings Pty Limited in trust for the Scomac Superannuation Fund of which J Borshoff is a member.

10,000 Shares are held by Scomac Pty Ltd and 80,000 Shares are held by Scomac Management Services Pty Limited which is trustee for the Scomac Unit Trust. All units in the Scomac Unit Trust are held by the J and R D Borshoff Family Trust. J Borshoff is one of two directors and a 50% shareholder in each of Aylworth Holdings Pty Ltd, Scomac Management Services Pty Ltd, and Scomac Pty Ltd.

525,157 Shares and 1,500,000 unlisted options are held personally by J Borshoff.

INFORMATION REQUIREMENTS

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given:

Subject to shareholder approval the following maximum number of Options will be granted to the following related parties or their respective nominees:

Name of Related Party	Number of Options
Rick W Crabb	3,250,000
John Borshoff	3,750,000
Dr Leon Pretorius	3,250,000
Total	10,250,000

In respect of the 10,250,000 Options to be granted to the Directors, the exercise price of \$1.00 is 132% above the weighted average closing share price (43 cents) on the ASX over the 5 trading days preceding the date of this Notice of Meeting.

Each of the Directors and proposed directors are related parties of the Company.

The nature of the financial benefit

The proposed financial benefit to be given is the grant of Options for no consideration to the Directors as noted above. The terms and conditions of the Options to be granted to the Directors are set out in Annexure A to this Explanatory Memorandum.

Directors' recommendation

For the reasons noted above:

Both Mr John Borshoff and Dr Leon Pretorius (who have no interest in the outcome of the Resolution) recommend that shareholders vote in favour of Resolution 4. Mr Rick W Crabb declines to make a recommendation about Resolution 4 as he has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of options to him individually.

Both Mr Rick W Crabb and Dr Leon Pretorius (who have no interest in the outcome of the Resolution) recommend that shareholders vote in favour of Resolution 5. Mr John Borshoff declines to make a recommendation about Resolution 5 as he has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of options to him individually.

Both of Messrs Rick W Crabb and John Borshoff (who have no interest in the outcome of the Resolution) recommend that shareholders vote in favour of Resolution 6. Dr Leon Pretorius

declines to make a recommendation about Resolution 6 as he has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of options to him individually.

All the Directors were available to make a recommendation.

Shareholders should note that for the reasons noted above, it is proposed to grant Options to non-executive directors notwithstanding Guideline 9.3 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations which provides that non-executive directors should not receive options.

Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors

The proposed ordinary Resolutions 4 to 6 would have the effect of giving power to the Directors to grant up to 10,250,000 Options on the terms and conditions as set out in Annexure A to this Explanatory Memorandum and as otherwise mentioned above. The Company presently has 349,185,713 issued shares and 19,700,000 unlisted Options.

If all Options granted as proposed above are exercised, together with the existing unlisted options on issue, the effect would be to dilute the share holding of existing shareholders by 2.7%. The market price of the Company's shares during the period of the Options will normally determine whether or not option holders exercise the options. At the time any options are exercised and shares are issued pursuant to the exercise of the options, the Company's ordinary shares may be trading at a price which is higher than the exercise price of the options.

The following table gives details of the highest, lowest and latest price of the Company's Shares trading on the Australian Stock Exchange Limited over the past 12 months ending on 29 September 2004:

Security	Highest Price	Date of highest price	Lowest Price	Date of lowest price	Latest Price on 29.09.04
Ordinary Shares	60 cents	29.09.04	1.8 cents	18.10.03	58 cents

The Directors' base salaries per annum (including superannuation) and the total financial benefit to be received by them in this current period as a result of the grant of Options the subject of Resolutions 3 to 5 are as follows:

Director	Base salary p.a. (\$)	Value of Options	Total Financial Benefit (\$)
Rick W Crabb	35,000	491,725	526,725
John Borshoff	230,000	567,375	797,375
Dr Leon Pretorius	132,000	491,725	623,725

Valuation of Options

The Company's advisers have valued the Options to be granted to the Directors using the Black-Scholes Option Pricing Model ("**BSModel**"), which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation

being grounded in economic theory. The value of an option calculated by the BSModel is a function of a number of variables. Their assessment of the value of the Options has been prepared using the following assumptions:

Variable	Input
Share price	\$0.56
Exercise price	\$1.00
Risk Free Interest Rate	5.03%
Volatility	86.9%
Time (years) to expiry	3 years

For the purposes of this valuation the Company's advisers have assumed 28 September 2004 as the issue date of the Options, being the date of the ASX release in relation to the proposed issue. For the share price, the advisers have assumed 56 cents, as this represents the recent highest price for Paladin's shares at the time of preparation of this valuation. The advisers have also assumed a volatility level of 86.9 given the industry in which the Company operates, its financial position and the volatility of listed shares of other companies comparable to Paladin. Based on the assumptions and advice from the Company's advisers, it is considered that the estimated value of Options to be issued to the Directors is 15.13 cents per Option. This reflects the value being discounted by 20% to reflect the unlisted status of the Options and the limited secondary market and a probability factor of 75% in respect of the restriction relating to the positive outcome of the Langer Heinrich Uranium Project Bankable Feasibility Study and associated funding.

Listing Rule 7.1

Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities where the securities proposed to be issued represent more than 15% of the Company's shares then on issue. Listing Rule 7.1.4 provides that for the purposes of Listing Rule 7.1, options are treated as if they were the shares into which they will, upon exercise, convert. However, the options to be issued do not represent more than 15% of the Company's shares then on issue. Listing Rule 7.1 approval is sought so that the 15% threshold is maintained and available for use by the Company in the future should the circumstances require it.

Listing Rule 10.14

Listing Rule 10.14 requires shareholders to approve the issue of options to the Directors pursuant to the Paladin Employee Share Incentive Option Plan. Listing Rule 10.14 broadly requires shareholders' approval by ordinary resolution to any issue by a listed company of securities to a related party.

Additional Information

For the purposes of Listing Rules 7.3 and 10.15, the following information is provided to shareholders:

- a) the Options will be granted to each of the Directors, as noted above;
- b) the maximum number of Options to be issued is 10,250,000;

- c) the Options will be granted on a date which will be no later than one month after the date of this Annual General Meeting;
- d) the Options will be granted for no consideration;
- e) no funds will be raised by the grant of the options;
- f) the terms and conditions of the options are set out in Annexure A to this Explanatory Memorandum; and
- g) the following parties received the following Options under the Employee Share Option Plan in May 2004:

Director	No. of Options	Exercise Price	Expiry Date
R Crabb	2,250,000	22 cents	26 May 2006
R Crabb	750,000	32 cents	26 May 2006
J Borshoff	2,500,000	22 cents	26 May 2006
J Borshoff	1,000,000	32 cents	26 May 2006
L Pretorius	2,250,000	22 cents	26 May 2006
L Pretorius	750,000	32 cents	26 May 2006

The Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options pursuant to Resolutions 4 to 6.

Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by the proposed resolution.

GLOSSARY

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means the Australian Stock Exchange Limited;

"**Company**" or "**Paladin**" means Paladin Resources Ltd ACN 061 681 098;

"**Corporations Act**" means Corporations Act 2001 (Cth);

"**Director**" means a director of the Company;

"**Listing Rules**" means the Listing Rules of ASX;

"**Notice**" means the Notice of Meeting accompanying this Explanatory Memorandum;

"**Options**" means options to acquire Shares on the terms and conditions set out in Annexure A to this Explanatory Memorandum; and

"**Shares**" means fully paid ordinary shares in the Company.

ANNEXURE A

TERMS AND CONDITIONS OF OPTIONS TO BE ISSUED

- 1.1 No monies will be payable for the issue of the Options.
- 1.2 A Certificate will be issued for the Options.
- 1.3 The Options shall expire 3 years after the date on which they are granted.
- 1.4 Options will only vest on the Company achieving a positive Bankable Feasibility Study on its Langer Heinrich Uranium Project together with acceptable financing for the Project.
- 1.5 The Option may not be exercised within 12 months of their date of grant, except in the case of a takeover bid (as defined in the Corporations Act) being made for the Company or if a scheme of arrangement is proposed to be put to shareholders for approval or if otherwise approved by shareholders in general meeting.
- 1.6 Each Option shall carry the right in favour of an Eligible Person to subscribe for one Share.
- 1.7 Options may be exercised in whole or in part. An exercise of only some Options shall not affect the rights of the Option Holder to the balance of the Options held by him.
- 1.8 The issue price of Shares the subject of the Options of \$1.00 per Share shall be payable in full on exercise of the Options.
- 1.9 Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option Holder to exercise all or a specified number of Options held by him accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares.
- 1.10 The Company shall allot the resultant Shares and deliver the share certificates within five (5) business days of the exercise of the Option.
- 1.11 Options shall not be listed for Official Quotation on ASX.
- 1.12 An Option Holder may not, except with the approval of the Board of Directors (in its sole and absolute discretion), sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of the Options. The approval of the Board of Directors may be given subject to satisfaction of certain conditions in which event such approval will be deemed not to occur until any such conditions have been satisfied. In particular the Board of Directors may require the proposed new holder of Options to enter into a covenant with the Company pursuant to which the proposed new holder acknowledges and agrees to be bound by the termination provisions contained in this Plan. Nothing in this clause enables the Board of Directors to refuse to register a proper transfer of Options.
- 1.13 Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.

- 1.14 The Company shall, in accordance with Listing Rule 2.8, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation.
- 1.15 If the Options are exercised before the record date of an entitlement, the Option Holder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the Option Holder of the proposed issue at least nine (9) business days before the record date. Option Holders do not have a right to participate in new issues without exercising their options in accordance with Listing Rule 6.19.
- 1.16 In the event of any reorganisation of capital of the Company, all rights of the Option Holder will be changed to the extent necessary to comply with the listing rules applying to a re-organisation of capital at the time of the re-organisation in accordance with the Listing Rules.
- 1.17 The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.
- 1.18 In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced according to the following formula:
- $$O' = \frac{O - E[P - (S + D)]}{N + 1}$$
- O' = the new exercise price of the Option.
- O = the old exercise price of the Option.
- E = the number of underlying securities in the Company into which one option is exercisable.
- P = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlements date.
- S = the Subscription price for a security under the pro rata issue.
- D = the Dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).
- N = the Number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.
- 1.19 The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of Options. The effect will be that upon exercise of the Options the number of Shares received by the Option Holder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for bonus issues. The exercise price of the Options shall not change as result of any such bonus issue.
- 1.20 The Company shall notify each Option Holder and ASX within one (1) month after the record date for a pro-rata bonus or cash issue of the adjustment to the number of Shares over which the Option exists and/or the adjustment to the exercise price.

ANNEXURE B – AMENDMENTS TO CONSTITUTION

The proposed amendments to the Company's Constitution under Resolution 2 are as follows:

Amendment 1: Insert after clause 31 a new clause 32 as follows:

"32. PARTIAL TAKEOVER PLEBISCITES

32.1 Resolution to Approve Off-Market Bid

Where offers have been made under an off-market bid in respect of Shares included in a class of shares in the Company:

- (a) the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under the off-market bid is prohibited unless and until a resolution (in this clause 32.1 referred to as a "**prescribed resolution**") to approve the off-market bid is passed in accordance with the provisions of this Constitution;*
- (b)*
 - (i) a person (other than the offeror or a person associated with the offeror) who, as at the end of the day on which the first offer under the off-market bid was made, held shares included in that class is entitled to vote on a prescribed resolution and, for the purposes of so voting, is entitled to one vote for each of the last mentioned shares; and*
 - (ii) the offeror or a person associated with the offeror is not entitled to vote on a prescribed resolution;*
 - (iii) a prescribed resolution is to be voted on at a meeting, convened and conducted by the Company, of the persons entitled to vote on the resolution; and*
 - (iv) a prescribed resolution, being a resolution that has been voted on, is to be taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than one half, and otherwise is taken to have been rejected.*

32.2 Meetings

- (a) The provisions of this Constitution that apply in relation to a general meeting of the Company apply, with modifications as the circumstances require, in relation to a meeting that is convened pursuant to this clause 32.2 as if the last mentioned meeting was a general meeting of the Company.*
- (b) Where takeover offers have been made under an off-market bid, the Directors are to ensure that a resolution to approve the off-market bid*

is voted on in accordance with this clause 0 before the relevant day in relation to the off-market bid.

32.3 Notice of Resolution

Where a resolution to approve an off-market bid is voted on in accordance with this clause 32 in relation to the off-market bid, before the relevant day in relation to the off-market bid, the Company is, on or before the relevant day:

- (a) to give to the offeror; and*
- (b) to serve on each notifiable securities exchange in relation to the Company,*

a notice in writing stating that a resolution to approve the off-market bid has been voted on and that the resolution has been passed, or has been rejected, as the case requires.

32.4 Takeover Resolution Deemed Passed

Where, at the end of the day before the relevant day in relation to an off-market bid under which offers have been made, no resolution to approve the off-market bid has been voted on in accordance with this clause 32, a resolution to approve the off-market bid is to be, for the purposes of this clause 32, deemed to have been passed in accordance with this clause 32.

32.5 Takeover Resolution Rejected

Where a resolution to approve an off-market bid under which offers have been made is voted on, in accordance with this clause 32, before the relevant day in relation to the off-market bid and is rejected, then:

- (a) notwithstanding Section 652A of the Corporations Act, all offers under the off-market bid that have not as at the end of the relevant day, been accepted, and all offers (in this clause 32.5 referred to as the "**accepted offers**") under the off-market bid that have been accepted and from whose acceptance binding contracts have not, at the end of the relevant day, resulted, are deemed to be withdrawn at the end of the relevant day;*
- (b) the offeror is, forthwith after the end of the relevant day, to return to each person who has accepted any of the accepted offers any documents that were sent by the person to the offeror with the acceptance of the offer;*
- (c) the offeror is entitled to rescind, and is required, forthwith after the end of the relevant day, to rescind, each contract resulting from the acceptance of an offer made under the off-market bid; and*
- (d) a person who has accepted an offer made under the off-market bid is entitled to rescind the contract (if any) resulting from that acceptance.*

32.6 Renewal

This clause 32 ceases to have effect on the third anniversary of the date of the adoption of last renewal of this clause 32."

Amendment 2: Delete clause 26.1 and replace it with a new clause 26.1 as follows:

"26.1 Service

A notice may be given by the Company to any Shareholder or other person receiving notice under this Constitution either:

- (a) by serving it on the person personally;*
- (b) by sending it by post to the person at the address as shown in the Register of Shareholders or the alternative address (if any) nominated by the person;*
- (c) by sending it to the fax number or electronic address (if any) nominated by the person;*
- (d) by sending it to the person by other electronic means (if any) nominated by the person; or*
- (e) by notifying the person in accordance with section 249J(3A) of the Corporations Act.*

Notices to Shareholders whose registered address is outside Australia shall be sent by airmail, facsimile or electronic means, or in any other way that ensures it will be received quickly, or where applicable by the means provided for by clause 26.7."

Amendment 3: Delete clause 26.2 and replace it with a new clause 26.2 as follows:

"26.2 Service by Person or Post

"Where a notice is served personally it is taken to have been served when delivered. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice, and to have been effected on the date after the date of its posting."

Amendment 4: Delete clause 26.3 and replace it with a new clause 26.3 as follows:

"26.3 Service by Facsimile or Electronic Notification

Where a notice is sent by facsimile transmission or electronic notification, service of the notice is deemed to be effected by properly addressing and transmitting the facsimile transmission or electronic notification and to have been served on the day of its transmission except if transmitted on a day which is not a Business Day or is after 5.00pm (local time in the place of receipt) on a day which is a Business Day, in which case it is taken to be served on the next Business Day."

Amendment 5: Delete paragraphs (a)-(f) in clause 12.17 and replace them with new paragraphs (a)-(g) as follows:

- "(a) shall be signed by the appointor or his attorney, or, if the appointer is a body corporate, either under seal or signed by a duly authorised officer, or officers (as the case may be) or attorney;*
- (b) for the purposes of clause 12.17, if a notice of meeting specifies an electronic means by which a Shareholder may give an instrument of proxy, the instrument of proxy received by that electronic means will be taken to have been signed in accordance with clause 12.17(a) if the instrument of proxy has been authenticated in a manner approved by the Directors in accordance with the Corporations Act;*
- (c) may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument;*
- (d) shall be deemed to confer authority to demand or join in demanding a poll;*
- (e) shall be in such form as the Directors determine and which complies with Section 250A of the Corporations Act;*
- (f) shall not be effective unless the instrument of proxy and, if applicable, the original power of attorney or other authority under which the instrument is signed or a certified copy of that power or authority, is received by the Company at its Registered Office or is transmitted to and received at a facsimile number at the Registered Office (or at another address or facsimile number, including an electronic address, specified for that purpose in the relevant notice of meeting) no later than 48 hours prior to the time of the commencement of the general meeting (or the resumption thereof if the general meeting is adjourned); and*
- (g) shall comply with the Listing Rules."*



PALADIN RESOURCES LIMITED
ACN 061 681 098

All correspondence to:
Paladin Resources Ltd
PO Box 201
Subiaco 6904 Western Australia
Telephone +618 9381 4366
Facsimile +618 9381 4978
www.paladinresources.com.au

Mark this box with an 'X' if you have made any changes to your address details (see reverse)



Name: _____

Address: _____

APPOINTMENT OF PROXY

I/We being a member/s of Paladin Resources Ltd and entitled to attend and vote hereby appoint



the Chairman
Of the Meeting
(mark with an 'X')

OR

Write here the name of the person you are
appointing if this person is **someone other**
than the Chairman of the Meeting

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Paladin Resources Ltd to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, on Tuesday, 23 November 2004 at 10.00am and at any adjournment of that meeting.

Voting directions to your proxy - please mark



to indicate your directions

Ordinary Business

For Abstain* Against

Item 1 Re-election of Director – R Crabb

☐ ☐ ☐

Item 2 Amendments to the Constitution

☐ ☐ ☐

Item 3 Ratification of Previous Issue of Shares

☐ ☐ ☐

Item 4 Grant of Options to Rick W Crabb

☐ ☐ ☐

Item 5 Grant of Options to John Borshoff

☐ ☐ ☐

Item 6 Grant of Options to Leon E Pretorius

☐ ☐ ☐

- If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If you do not wish to direct your proxy how to vote, please place a mark in this box.
By marking this box, you acknowledge that the Chairman may exercise your proxy even
if he has an interest in the outcome of the above resolutions and votes cast by him other
than as proxy holder will be disregarded because of that interest.

☐

PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

**Sole Director and
Sole Company Secretary**

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

HOW TO COMPLETE THE PROXY FORM

1 Your Name and Address

*This is your name and address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.***

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. The Chairman intends to vote in favour of resolutions for which no voting indication has been given.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

6. Lodgement of a Proxy and Deadline for Receipt of Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 21st November 2004 at 10.00am. Any Proxy Form received after that time will not be valid for the scheduled meeting.

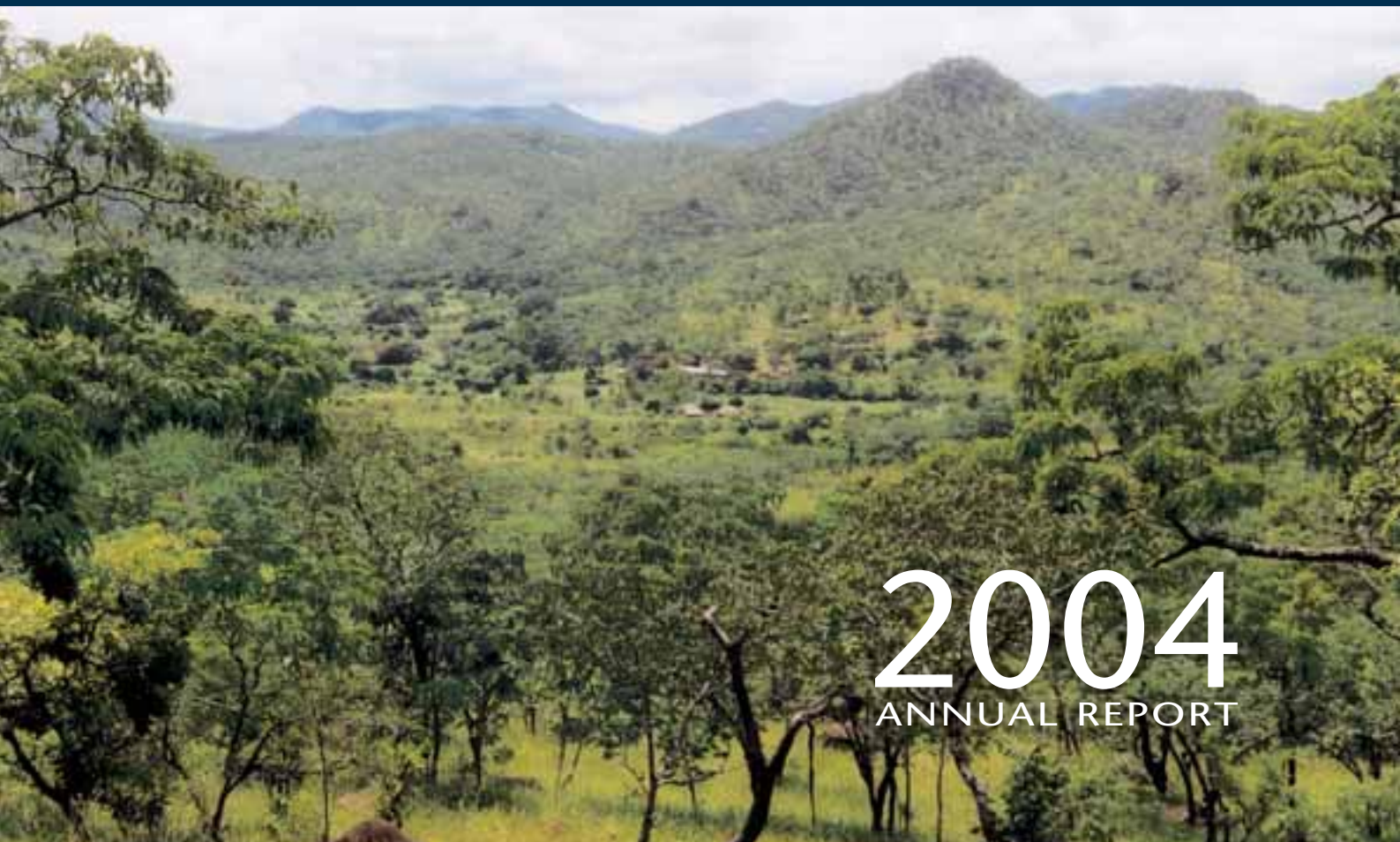
Documents may be lodged by post, delivery or facsimile to the Registered Office of Paladin Resources Ltd being

**1st Floor, 245 Churchill Avenue
(Po Box 201)
Subiaco WA 6008
or by facsimile to fax number 08 9381 4978**



PALADIN RESOURCES LTD

ACN 061 681 098



2004
ANNUAL REPORT

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The financial report covers both Paladin Resources Ltd as an individual entity and the consolidated entity consisting of Paladin Resources Ltd and its controlled entities.

Paladin Resources Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Paladin Resources Ltd
1st Floor, 245 Churchill Avenue
SUBIACO WA 6008

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 6-11 and in the directors' report on pages 15-17.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial statements and other information is available on our website www.paladinresources.com.au.





Paladin - The New Energy in the Market

EMERGING URANIUM PRODUCER WITH PRIMARY FOCUS IN SOUTHERN AFRICA

LANGER HEINRICH URANIUM PROJECT, NAMIBIA

Bankable Feasibility Study in progress, mineral resources upgraded and further drilling underway.

Financial parameters robust, NPV(10%) US\$83M / Project IRR 47% at US\$20/lb U₃O₈

KAYELEKERA PROJECT, MALAWI

Metallurgical drilling underway

Updated study reveals positive NPV(10%) US\$61M / Project IRR 32% at US\$20/lb U₃O₈

URANIUM PRICE AT 20 YEAR HIGH

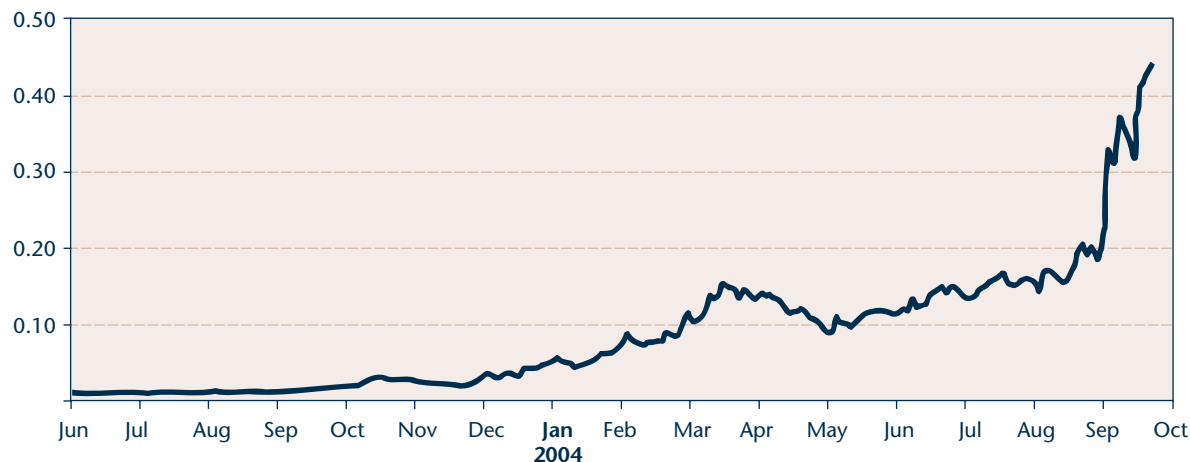
Supply shortages predicted

BEST PERFORMING ASX STOCK FOR YEAR TO JUNE 2004 (UP 1,127%)

WA Business News, TRUDO Total Shareholder Return Survey

PALADIN SHARE PRICE PERFORMANCE

Cents (AUD\$)



CHAIRMAN'S LETTER

Dear Shareholder

The past year has been a redefining one for Paladin. The market capitalisation of the Company sat at \$3 million at the beginning of this period and finished around June \$47 million. By mid September this had increased to \$140 million - a remarkable recovery. The Company was declared the best performing publicly listed company on the Australian Stock Exchange in terms of share price improvement. At the close of my previous Chairman's letter I predicted that an exciting year lay ahead for Paladin and this claim has certainly been achieved!

Six years of acquiring and developing advanced uranium projects during a period of extended, depressed uranium outlook is now set to reward your company handsomely. Uranium prices have continued to rise, the nuclear based electricity generating industry is thriving and uranium shortages are predicted for the coming decade. In this context Paladin, with its portfolio of advanced quality uranium projects, is ideally situated to benefit its shareholders and other stakeholders (including the governments and people of Namibia and Malawi). Paladin can rightly consider itself as an emerging uranium producer and amongst the leaders of the uranium juniors worldwide.

In April we commenced our Langer Heinrich Bankable Feasibility Study after raising sufficient funds without the need to farm-out or otherwise dilute thus allowing Paladin to retain 100% of the Project. It took almost 9 months to secure these funds. Once Société Générale offered a loan facility of \$2M for the feasibility study it provided the turning point, ultimately generating worldwide interest in Paladin.

The bankable feasibility study will be completed early next year and, with positive outcome, about US\$45M will have to be raised through debt and equity to fund mine development and infrastructure construction for anticipated production start-up in 2006. On current analysis this project has an NPV10% of US\$83M on conservative sales contracts of US\$20/lb for uranium oxide. Mine life is expected to be greater than 10 years and, with further uranium price rises (as forecast), the Langer Heinrich Project represents a true company maker.

We hope to start the bankable feasibility study for the Kayelekera Project in Malawi in April 2005 and, with the study teams already in place, we foresee a seamless transition from one project to the other.

Paladin is entering into an exciting phase of its development. The Company will need to grow. Additional staffing will be necessary to accept the new challenges that lay ahead as the Company becomes a uranium producer working in the international arena.

Lastly I would like to thank my Board, all the staff and consultants that have worked so tirelessly for Paladin and particularly the efforts and vision of John Borshoff our Managing Director who has placed the Company in such an enviable position.

Next year promises to be even more exciting!



Rick Crabb

CHAIRMAN



IN SUMMARY

In the annual TRUDO survey published by WA Business News which assesses performance of all companies listed on the Australian Stock Exchange Limited, Paladin came out as a clear winner for the best performing company in Australia for the year ending 30 June 2004 in terms of share price increase. The Company's share price improved dramatically in this period from 0.08 cents per share to 14 cents per share.

This remarkable recovery in the Company's fortune has been the result of two critical developments:-

- * Paladin's persistence in accumulating advanced uranium projects between 1997 and 2002 during a period of extended depressed outlook for this commodity; and

- * The phenomenal recovery that has occurred in the nuclear industry causing the price for uranium to spiral over the past 18 months due to shortages of supply that are predicted.

Paladin now finds itself in a unique position where it is the only junior uranium company in the world which

is so well prepared to benefit from the uranium upswing. Paladin has a solid portfolio of advanced quality uranium projects. These are the Langer Heinrich Uranium Project in Namibia, Kayelekera Uranium Project in Malawi and the Manyingee Uranium Project in Western Australia.

The Langer Heinrich Uranium Project has a Bankable Feasibility Study in progress and the Kayelekera Uranium Project is being prepared for similar work in 2005. Although the Company's Western Australian uranium projects are not being progressed because of negative policies of the State Labor Government with regard to uranium, these projects nevertheless also represent significant assets of the Company which could be considered for development later in the decade.

Add to this the extensive uranium database which the Company owns covering both Australia and Africa and it becomes evident that Paladin overall is very well positioned to capitalize on the considerable opportunities which are now becoming available from this uranium boom and the supply shortages which are predicted over the mid to long term.

PROJECT SUMMARY

	LANGER HEINRICH PROJECT	KAYELEKERA PROJECT	MANYINGEE PROJECT	OOBAGOOMA PROJECT
LOCATION/ EQUITY	Namibia 100%	Malawi 90%	West Australia 100%	West Australia 100%
RESOURCES	11,000t U ₃ O ₈ @ 0.11%	11,547t U ₃ O ₈ @ 0.15%	7,860t U ₃ O ₈ @ 0.12%	9,950t U ₃ O ₈ @ 0.14%
PAST EXPENDITURE	A\$20M	A\$9M	A\$16M	A\$5M
MAIN ACTIVITY PERIOD	1973 - 1980 Feasibility studies	1982 - 1990 Feasibility studies	1979 - 1988 Feasibility studies	1982 - 1985 Pre-feasibility
WORK REQUIRED	1 year BFS	18 months BFS	3 year staged BFS	2 year reserve drilling
NPV (10%)	US\$83M @ US\$20.00/lb U ₃ O ₈	US\$61M @ US\$20.00/lb U ₃ O ₈	US\$20M @ US\$16.00/lb U ₃ O ₈	N/A
IRR	47%	32%	26%	N/A

THE NUCLEAR REVIVAL

Uranium Supply Market - Shortages Predicted

The uranium spot price maintained upward momentum during the year reaching US\$18.50/lb U₃O₈ in June 2004, a 20 year high. This price strengthening is being created by a strongly performing global nuclear electricity generating regime coupled with diminished above-ground inventories. The inability of miners to increase current production due to limited incremental capacity is a key problem placing pressure on uranium pricing. Potential uranium shortages are identified for the period 2006 and beyond for which supply orders need to be filled late 2004/early 2005 due to the long lead times involved. Even current elevated pricing appears insufficient as it is not encouraging the majority of suppliers to release additional uranium into the market. For this reason, further price increases are expected.

Nuclear Power Generation - Improving Performance

In 2003 three new reactors commenced commercial operation and two refurbished ones connected into their grids.

Today, some 440 reactors provide 16 percent of the world's electricity. Importantly, this is virtually without greenhouse gas emissions. (Industrialised countries on average generate 24 percent of their electricity from nuclear power). About 30 more nuclear power reactors have been permitted and are under construction.

China and **India** plan at least a fourfold increase in nuclear capacity by 2020, while those Asian countries - Japan, South Korea, Taiwan, which already meet a substantial proportion of their electricity demand from nuclear power, plan steady expansion.

China, faced with an expected 12% increase in electricity demand this year, compared with only a 9% increase in capacity to meet it, is seeking rapid expansion of generating capacity. The China National Nuclear Corporation (CNNC) has confirmed plans to expand nuclear power generation.

Due to looming power shortages, the Nuclear Power Corporation of **India** is speeding up construction of three reactors to have them on line by 2007. Up to four more advanced reactors may be built by 2020.

13 out of 25 **EU States** generate power from nuclear energy, using 155 reactors - more than a third of the world total. Several of the remaining 12 states, such as **Italy** and **Austria**, depend significantly on nuclear power through imports. **Europe** depends on nuclear power for one third of its electricity. A large new-generation reactor is now being built in **Finland** after very careful cost-benefit analysis and public consultation. A similar

unit has been announced for France. **France** is thoroughly committed to nuclear power (80% of supply) and is the world's largest net exporter of electricity. The last operating coal mine in **France** has closed, indicating the end of nearly three centuries of dependence on the industrial era's prime fuel.

In the **USA** public opinion is increasingly positive on the grounds of forward price stability for electricity, clean air values, and reliability of supply. The US Nuclear Regulatory Commission has approved further 20-year licence extensions with 26 (a quarter of the total) US reactors now having 60-year operating licences. Both USA government and industry are gearing up for a new phase of nuclear plant construction.

Each year the US Department of Energy publishes its Annual Energy Outlook (AEO), and an overview of the 2004 data has been released. Five years ago the AEO predicted that more than half the country's nuclear capacity would be closed down by 2020, but the new figures show a slight nuclear capacity increase to 103 GWe in 2025, due to plant uprates and one start-up in 2007. All this amounts to further strengthening of the view that nuclear energy will continue to play a vital role in US electricity generation beyond 2025.

In **Canada**, **Ontario** has resolved to close down its coal-fired plants in 2007. Its task force report rejects reliance on gas and points to more nuclear for replacement capacity and this is supported by Government.

Nuclear Power - Competitive Costs

Recent reports analyzing the comparative costs of power generation show nuclear power in an increasingly favourable light. A new report for the Royal Academy of Engineering looks at electricity generation costs from new plant in the UK on a more credible basis than before. The cost of standby capacity for wind, as well as carbon values up to £30 per tonne CO₂ (£110/tC) for coal and gas are included in this analysis. Wind power is shown to be more than twice as expensive as nuclear power. This study shows nuclear to be in the lowest cost category and on present-day cost of generating UK electricity (p/kWh) from new plants is determined as follows:-

	Basic cost	With back-up	With £30/t* CO ₂
Nuclear	2.3p	n/a	n/a
Gas-fired CCGT	2.2p	n/a	3.4p
Coal pulverised fuel	2.5p	n/a	5.0p
Coal fluidised bed	2.6p	n/a	5.1p
Onshore wind	3.7p	5.4p	n/a
Offshore wind	5.5p	7.2p	n/a

*or £100/t Carbon tax

Hydrogen Economy - Need for Nuclear Power

A US National Research Council and National Academy of Engineering report on The Hydrogen Economy affirmed the "fundamental and dramatic benefits" of this new technology for both energy security and the environment, though its establishment would take many decades to achieve.

At a recent Canadian nuclear conference a senior US Department of Energy director said that the USA had established a production target of 30 million tonnes of hydrogen per year to replace a quarter of today's US petrol consumption. This would require some 225,000 MW thermal of nuclear power capacity and would represent more than a 60% increase of that which exists today in the US.

Global Warming - A Serious Problem

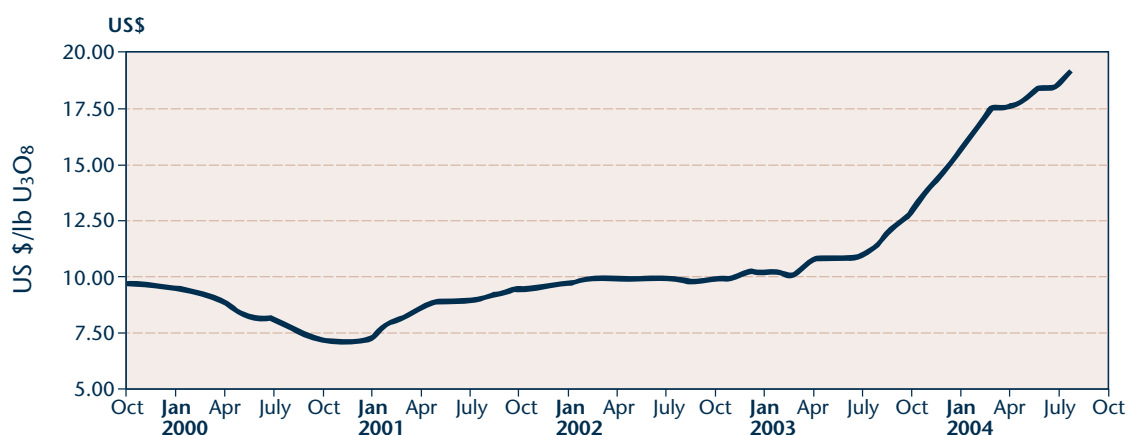
James Lovelock, the world-famous British scientist who has been at the forefront of drawing attention to global warming, has again spoken out about the urgent need to develop nuclear power. He said that the Green lobbies had let everybody down and that they should "drop their wrongheaded objection to nuclear energy." "Civilisation is in imminent danger and has to use nuclear - the one safe, available energy source, now." Renewable energy sources are insufficient to make much difference. Professor

Lovelock is best known for developing the Gaia hypothesis, suggesting that the Earth remains fit for life due to self-regulating chemistry and climate feedback - a notion that was slow to gain scientific credibility.

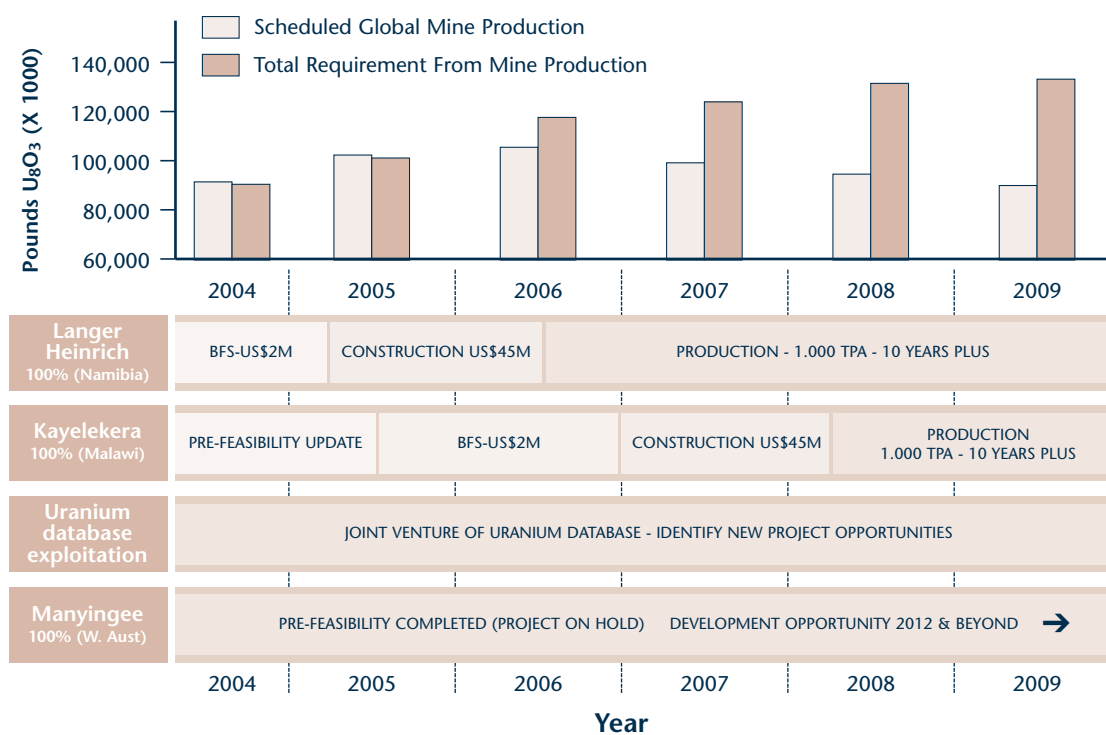
No firm figures have been agreed to limit global warming. A figure of 450ppm carbon dioxide is suggested as the maximum tolerable level in the atmosphere. This would require a huge reduction from present day emission levels. 2050 has been suggested as the target date for implementation of this environmental regime.

Significant emission reduction technologies most obviously include nuclear power supplemented by renewables for electricity generation, and non-fossil production of hydrogen for transport fuel. The USA plans to commit some \$1 billion to demonstrate the non-fossil hydrogen production, using a high-temperature gas-cooled nuclear reactor.

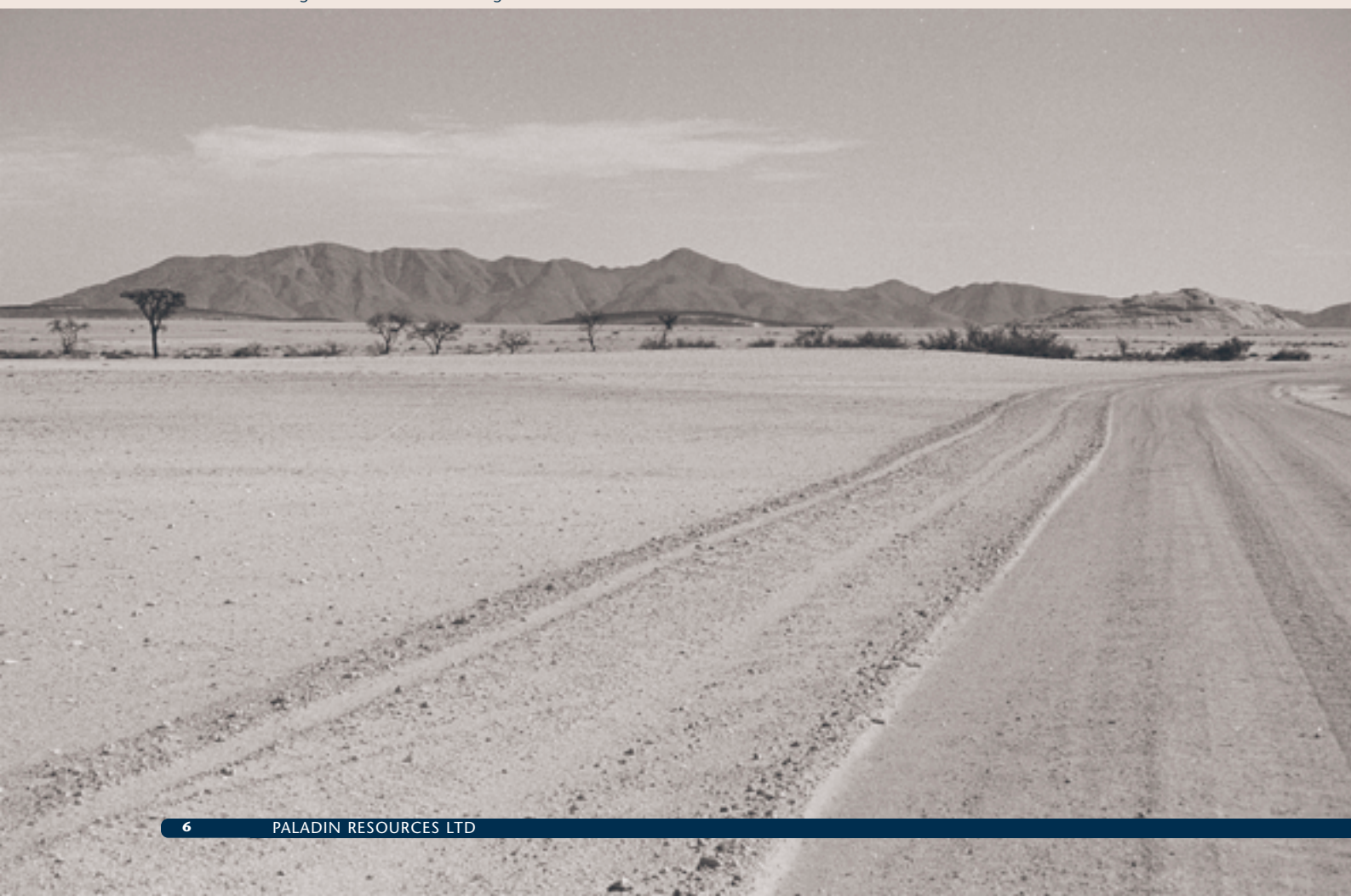
URANIUM SPOT PRICE GRAPH (HISTORICAL)



DEVELOPMENT SCHEDULE VERSUS URANIUM DEMAND OUTLOOK



View North Along Access Road Towards Langer Heinrich Mountain

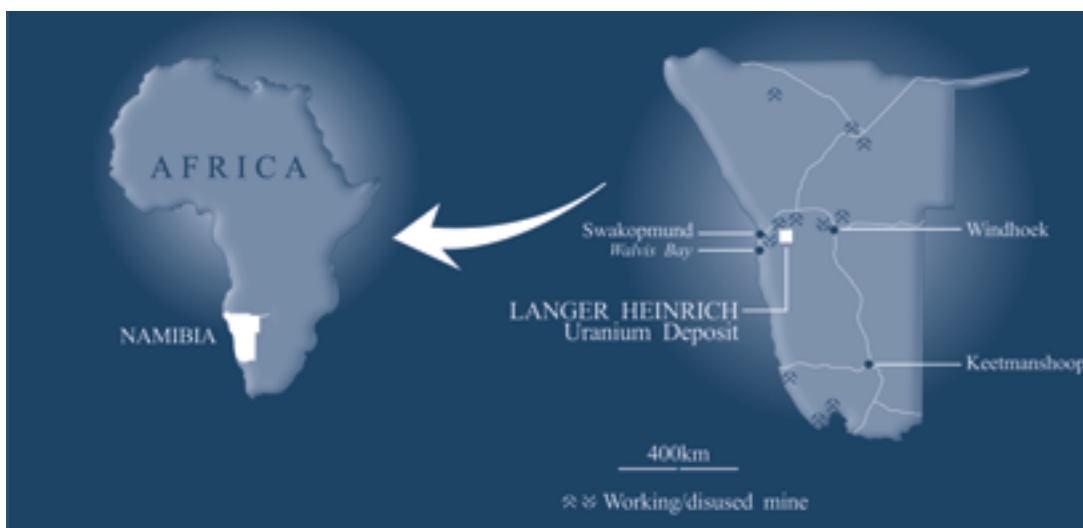


LANGER HEINRICH URANIUM PROJECT

The Langer Heinrich Uranium Project is 100% owned by Paladin through its wholly owned Namibian subsidiary Langer Heinrich Uranium (Pty) Ltd. Paladin purchased the Langer Heinrich Project in August 2002 from Aztec Resources Ltd. The deposit was discovered in 1973 by Gencor Limited, a major South African Mining House (now part of BHP Billiton). The 2 previous owners spent a total of US\$14 million on the project. This is a calcrete type deposit containing a global resource of 41,200t U_3O_8 at a grade of 0.05% contained in 7 designated mineralised zones along a 15km length within an extensive paleodrainage system. The deposit is located in the Namib Desert, 80km east of the major seaport of Walvis Bay.

Metallurgical work has commenced with preliminary leach test work being undertaken to establish baseline data for uranium extraction and recovery. Solid-liquid separation characteristics of the ore will also be established as a second phase of this early work. The results of this preliminary program should refine the scope of later work, and may lead to a shortened program allowing earlier definition of process selection and design. A 6 tonne bulk sample from mineralized material reflecting the key ore classes from the deposit was collected and sent to the MINTEK metallurgical laboratories in Johannesburg for the major testwork.

LANGER HEINRICH MAP



In March 2003 Paladin completed the Pre-Feasibility Study, the results showing clearly that the project should be taken to final feasibility determination.

In April 2004 Paladin commenced its Bankable Feasibility Study on the Langer Heinrich Project. The overall project management of the Bankable Feasibility Study was awarded to GRD Minproc based in Johannesburg. Improving uranium prices have made the timing for the development of this project completely in tune with positive market outlook for uranium. The study is anticipated to cost AUD\$3M and be completed by March 2005. The current mining model allows for an annual production of 1,000t of U_3O_8 over a period of at least 10 years. Capital cost for development will be approximately US\$45M with production start-up expected mid 2006. Using a realistic long term sales contract price of US\$20.00/lb U_3O_8 the project has strong financials with an NPV(10%) of US\$83M and an IRR of 47%.

A number of site visits have been carried out to address power and water supply, field verification for final ore resource assessment and environmental and tailings dam design studies.

The meetings with power and water supply sub-contractors as well as Namibian government utility agencies Nampower and Namwater have resolved where both services will be sourced and a preferred supply route has been identified. It is hoped that approvals for this route will be obtained once the environmental assessment is completed, after which detailed design can proceed.

Field assessment by the flora and fauna specialists has been completed together with an archaeological survey of the site. All field work has now been done for the environmental assessment, and work on the draft Environment Impact Statement has commenced.

REVIEW OF OPERATIONS

Hellman and Schofield Pty Ltd (H&S), mineral resource specialists, have completed new resource estimates according to the Joint Ore Reserves Committee (JORC) (1999) Code.

H&S's evaluation work has confirmed and significantly increased the total resources previously estimated with the tonnage of contained U_3O_8 increasing by 20% (at a 100ppm U_3O_8 cut-off) and 28% (at 300ppm and 500ppm cut-offs).

Mineral Resources now stand at:-

- **89.3Mt ore at 0.046% U_3O_8
containing 41,200t U_3O_8 (100ppm cut-off)**
- **42.7Mt ore at 0.076% U_3O_8
containing 32,300t U_3O_8 (300ppm cut-off)**
- **21.2Mt ore at 0.113% U_3O_8
containing 24,100t U_3O_8 (500ppm cut-off)**

The new resource estimates have significantly increased the amount of Measured Resources to 10.2Mt from the previous 2.0 Mt.

Details of the new estimates at a 300ppm U_3O_8 cut-off are set out below:

• Measured Resource	10.2Mt ore	at 0.067% U_3O_8	(6,900t of contained U_3O_8)
• Indicated Resource	4.4Mt ore	at 0.060% U_3O_8	(2,600t of contained U_3O_8)
• Inferred Resource	28.1Mt ore	at 0.080% U_3O_8	(22,800t of contained U_3O_8)
TOTAL	42.7Mt ore	at 0.076% U_3O_8	(32,300t of contained U_3O_8)

This evaluation work by H&S has confirmed that a large body of uranium mineralisation exists at Langer Heinrich. These new results and reinterpretation of the existing data by Paladin indicates that, with restricted additional drilling, sufficient Inferred Resources can be converted to Measured and Indicated Resource categories in order to achieve a 10 year mine life based on only one open pit within the Detail 1 area, rather than having to develop three pits within Details 1, 2 and 3 as required by the current mine schedule.

A 5,000m RC drilling programme commenced in September 2004 to refine the resource model. This work will also incorporate collecting mineralised drill sample material for the ongoing metallurgical testwork. This expanded programme has the ability to either extend the mine life or allow increased annual uranium production. No delay is expected in the Bankable Feasibility Study completion because of this work.

A new palaeochannel interpretation carried out by Paladin identified targets not previously drilled. This includes deeper channel sections in Detail 1 and the possible existence of a larger and deeper, so far unexplored, channel in the northern parts of Detail 2. The validity of this model will also be checked during the current drilling programme.

Looking North From Kayelekera Deposit Hill Top



KAYELEKERA PROJECT

The Kayelekera Uranium Project is located in northern Malawi (Southern Africa) and is 8km south of the main road that connects the townships of Karonga and Chitipa. It is 40km west of the provincial town of Karonga.

The Kayelekera Uranium Project is owned 90% by Paladin through its wholly owned Malawi subsidiary Paladin Africa Ltd. This project had US\$7M spent by Central Electricity Generating Board (CEGB), the previous owners, culminating in completion of a final feasibility study in 1990 which showed the project to be uneconomic on the parameters then utilised. Modelling of a new mining concept by Paladin indicates that the project can be optimised with a positive financial outcome. Paladin completed a Pre-Feasibility Study in 2000 and this showed the project could be considered for development at US\$15/lb U_3O_8 or higher.

These estimates are reported as Inferred Category Resources at this stage. The key aspect restraining classification to the higher resource categories is verification of the base data, which is in progress.

Pre-Feasibility Update

The overall result of the new scoping engineering and financial study shows positive project economics can be achieved on this project. The financial models from the Paladin's Pre-Feasibility Study carried out in 2000 have been recalculated in the light of the improved uranium price. The new model, using a conservative price for term contracts of US\$20/lb, indicates the project would achieve strong returns. A mining operation at Kayelekera producing 1,000t of U_3O_8 over a 10 year period would attain an NPV(10%) of US\$61M and an IRR of 32%. At US\$22.50/lb the project would obtain an NPV(10%) of US\$88M and an IRR of 43%. Currently term contract prices for uranium are reported at US\$23.00/lb. These highly positive findings now require further assessment of the project.

KAYELEKERA MAP



Mineral Resources

Hellman and Schofield Pty Ltd (H&S), mineral resource specialists, have completed new preliminary resource estimates on the Kayelekera Uranium Project. These are reported here according to the JORC (1999) Code.

This evaluation work indicates the total resources contained U_3O_8 in the 100ppm and 400ppm cut off ranges as follows:-

- **12.5Mt ore at 0.092% U_3O_8**
containing 11,500t U_3O_8 (100ppm cut-off)
- **7Mt ore at 0.14% U_3O_8**
containing 9,900t U_3O_8 (500ppm cut-off)

1,000m RC drilling and 150m diamond drilling for collection of suitable sample material for ore sorting testwork in preparation for optimizing and planning of the bankable feasibility study commenced September 2004.

REVIEW OF OPERATIONS

Bankable Feasibility Study 2005

On the basis of revived uranium market outlook and positive economic returns which are indicated, a Bankable Feasibility Study is being considered for start up by mid 2005. The focus of the study will be detailed verification of the new mining/milling concepts planned to be adopted in the project and validation (or modification, if required) of all other mine model parameters used in the 1990 final feasibility study.

The cost of the new feasibility study building on the merits of the existing work will be in the vicinity of US\$2.0M, can be done in 2 distinct stages and is expected to take 18 months to complete.

With the uranium market outlook predicted to remain strong during the mid to long term, the Kayelekera Uranium Project offers excellent potential for development and reward for the Paladin shareholders.

OOBAGOOMA PROJECT

The Oobagooma Project is located 75km north east of Derby in the Kimberley Region of Western Australia on freehold land owned by the Commonwealth and used by the military. The area is covered by two EL applications covering 392km². The project was explored by Afmeco from 1983 to 1986 during which time extensive zones of uranium mineralisation were discovered. Using geostatistical methods Afmeco calculated total geological resources of 8.2Mt of ore at a grade of 0.12% U₃O₈ containing 9,950t U₃O₈ (300ppm cut off).

No work was carried out on this project during the year. The main exploration effort, once the tenements have been granted, will be to confirm continuity of the uranium mineralisation by infill drilling concentrating on mineralised redox fronts as re-interpreted and further develop the reserves for consideration of a future ISL mining operation.

PROJECT LOCATIONS



MANYINGEE PROJECT

The Manyingee Uranium Project is located in the northwest of Western Australia, 85km inland from the coastal township of Onslow. Good access to the site exists, either via the North West Coastal Highway (39km) or the Barradale-Onslow road 22km to the west. The Tubridgi Natural Gas Pipeline passes 500 metres east of the licence area. The property is protected by 3 Mining Leases totalling 13km².

The Project contains an Indicated and Inferred Resource of 6.4Mt of ore at a grade of 0.12% U₃O₈ containing 7,680t of U₃O₈ in permeable sandstone. Previous field trial testwork indicates the deposit is amenable to In-situ Leach Mining (ISL).

The Project is currently mothballed and no field work was carried out during the year, with the Southern African projects being given priority for development.

QUASAR-PALADIN JOINT VENTURE

Paladin is in joint venture in South Australia on EL3001 and EL3078 with Quasar Resources Pty Ltd, a wholly owned subsidiary of Heathgate Resources Ltd, owner of the Beverley ISL uranium mining operation in the Frome Basin. Beverly commenced operations in 2001. Heathgate Resources is an Australian affiliate of General Atomics of the USA.

The two tenements cover 1,050km² and are located immediately north of the Beverley Mine tenements. Heathgate can earn an 80% interest in these properties with Paladin retaining a free carried interest of 20% and 15% respectively until completion of a bankable feasibility study and a decision to mine.

Heathgate previously carried out an electromagnetic airborne TEMPEST survey over the properties to identify prospective palaeochannels. The data delineated numerous targets and further rotary mud drilling is planned to test these prospective zones.

NON URANIUM ACTIVITIES

MT LOFTY PROJECT

The first pass exploration work on the Mt Lofty Joint Venture tenements was completed with Absolut Resources Corp. ('Absolut') completing its minimum expenditure of \$60,000 to earn a 10% interest in the project. Absolut can earn a total of 45% on expenditure of a further \$345,000 on EL2863. Absolute has agreed to fund the next stage of evaluation and continue earning further equity in the joint venture. The investigations to date have isolated high grade gold mineralisation in the Stockyard Gully area.

Encouraging results of the first pass investigations warrant further exploration once the small exemption area within the prospective zone has been lifted by the Mines Department and access clearance has been achieved to carry out drilling in the Forest Reserve area. No active exploration was carried out on this project during the year due to this access clearance being delayed. The exploration work which is planned will involve RC drilling targeted to test both depth extension and lateral continuity of the identified mineralisation.

Typical Desert Terrain at Langer Heinrich with Ore Dumps From 1977 Test Work in Background



INTRODUCTION

The Board of Directors of Paladin Resources Ltd is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business of Paladin on behalf of shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for setting corporate direction, defining policies and monitoring the business of the Company, to ensure it is conducted appropriately and in the best interests of shareholders.

Paladin has adopted systems of control and accountability as the basis for the administration of corporate governance.

The following information about the Company's Corporate Governance practices is set out on the Company's website at www.paladinresources.com.au:

- statement of board and management functions (including Materiality Threshold and description of roles of Chair, Independent Directors and managing director)
- nomination committee charter
- summary of policy and procedure for selection and appointment of new directors
- summary of code of conduct for directors and key executives
- summary of policy on securities trading
- audit review guidelines
- policy and procedure for selection of external auditor and rotation of audit engagement partners
- summary of policy and procedures for compliance with continuous disclosure requirements
- description of arrangements regarding communication with and participation of shareholders
- summary of Company's risk management policy and internal compliance and control system
- summary of process for performance evaluation of the Board
- remuneration committee charter
- corporate code of conduct

CORPORATE GOVERNANCE DISCLOSURES

During the year ended 30 June 2004 (the Reporting Period) the ASX Corporate Governance Council developed a set of guidelines, *Principles of Good Corporate Governance and Best Practice Recommendations*. This document articulates 10 core principles that the ASX Corporate Governance Council believes underlie good corporate governance, together with best practice recommendations. The Company has complied with each of the Ten Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the Australian Stock Exchange Corporate Governance Council, other than in relation to the matters specified below.

Independence of Board

The recommendations state a majority of the Board should be independent Directors.

No member of the Board satisfies the test of independence as set out in the recommendations.

The Board considers the Chairman Rick Crabb to be independent for the reasons set out below under the heading "Identification of Independent Directors".

The current Board structure comprises an Independent Chairman, Managing Director and executive director. The Board considers this structure best suits the Company's present activities which are focused on uranium exploration and development.

Independence of Chairman

The Chairperson does not satisfy paragraph 3 of the Independence Test set out in the recommendations. Notwithstanding this, the Board considers Rick Crabb to be independent for the reasons set out below under the heading "Identification of Independent Directors".

Nomination Committee

There is no formal Nomination Committee. Given the Board comprises three members it was decided that no efficiencies would be achieved by establishing a separate nomination committee. The whole board carries out the duties which would otherwise be undertaken by the nomination committee and each member excludes him or herself from matters in which he/or she has a material person interest and otherwise ensures compliance with all aspects of the Corporations Act in relation to related party transactions.

Remuneration Committee

There is no formal Remuneration Committee. Given the Board comprises three members it was decided that no efficiencies would be achieved by establishing a separate Remuneration Committee. All matters of remuneration were determined by the Board in accordance with Corporations Law requirements, especially in respect of related party transactions. That is, no director participated in any deliberation regarding his or her own remuneration or related issues.

Written Code of Conduct

Prior to 16 June 2004 there was no written Code of Conduct. Although there was no written policy the Board considered the business practices and ethics exercised by individual Board members and key executives was of the highest standards. On 16 June 2004 the Company certified and disclosed its practices as a Code of Conduct.

Written Securities Trading Policy

The Company adopted a written Securities Trading Policy on 16 June 2004. Although prior to 16 June 2004 there was no written policy, there was an understanding as to when it was appropriate for security trading to occur which understanding is the basis upon which the written policy is adopted.

Audit Committee

There is no Audit Committee. The duties usually carried out by an audit committee are performed by Rick Crabb who has relevant financial and industry experience to qualify him to perform this role.

Written Policies and Procedures Designed to Ensure ASX Listing Rule Disclosure Requests

Until 16 June 2004 there were no written policies and procedures designed to ensure ASX Listing Rule disclosure requests. Although there was no written policy or procedure such policies and procedures did in fact exist and have now been documented and were formally implemented by the Board on 16 June 2004.

Shareholder Communication Strategy

Until 16 June 2004 there was no formal communication strategy to promote shareholder communication. Although there were no written policies or procedures the Company had a positive strategy to communicate with and actively promote shareholder involvement in the Company. The strategy included making information about the Company available on its website. The policy has now been documented and disclosed on 16 June 2004.

Code of Conduct

A Code of Conduct was adopted 16 June 2004. Although until 16 June 2004 there was no Code of Conduct documented or disclosed the Board considered its business practices as led by the example of the Board and key executives were the equivalent of a Code of Conduct, which has now been documented, approved and disclosed.

SKILLS, EXPERIENCE, EXPERTISE AND TERM OF OFFICE OF EACH DIRECTOR

A profile of each director containing the applicable information is set out in the Directors' Report.

IDENTIFICATION OF INDEPENDENT DIRECTORS

The independent director of the Company is its chairperson Mr Rick Crabb.

Mr Rick Crabb was a principal of the legal firm Blakiston & Crabb until his retirement on 30 June 2004. Blakiston & Crabb have been the main provider of legal service to the Company in respect of matters concerning Australian law. The Company pays fees on a normal commercial basis to Blakiston & Crabb. Accordingly Mr Crabb does not fit within paragraph 3 of the Independence Test. Mr Crabb passes all other aspects of the Independence Test. The Board of Paladin (in absence of Mr Crabb) considered Mr Crabb demonstrates he consistently makes decisions and takes actions which are designed to be in the best interest of the Company. The Board notes the fees paid to Blakiston & Crabb are not material to the Company and are not of a high enough level to be material to Mr Crabb's practice at the firm Blakiston & Crabb. Therefore, the Board considers Mr Crabb to be independent.

STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

CONFIRMATION WHETHER PERFORMANCE EVALUATION OF THE BOARD AND ITS MEMBERS HAVE TAKEN PLACE AND HOW CONDUCTED

During the Reporting Period an evaluation of the Board and its members was carried out. The evaluation process comprised the Chairman conducting a review of the Board's operations, analysing its strengths and weaknesses. It was concluded for the present, the existing structure is suitable to the Company's existing development. However, the matter is to be reviewed regularly and additional appointments to the Board will be considered according to the needs of the Company. The Board will be looking for persons with relevant experience in mining, engineering, finance or the highly specialised area of marketing of uranium sales.

COMPANY'S REMUNERATION POLICIES

Mr Crabb as a non-executive director receives directors' fees of \$35,000 per annum. The fees are not related to performance of the Company. The Company Constitution provides that directors may collectively be paid a fixed sum not exceeding the aggregate maximum per annum from time to time as determined by the Company. A director may be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director.

Mr Borshoff receives a fixed salary for the executive services he provides to the Company. The salary is not related to performance of the Company.

Mr Pretorius receives a fixed salary, for the executive services he provides to the Company. His salary is not related to performance of the Company.

No director of the Company is eligible to receive bonus payments. Directors have previously been allocated one off issues of options, which received shareholder approval prior to issue. The options do not form part of remuneration for those directors.

EXISTENCE AND TERMS OF ANY SCHEMES FOR RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS

There are no termination and retirement benefits for non-executive directors.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Paladin Resources Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2004.

Directors

The Directors in office at the date of this report are:

Mr Rick W. Crabb (Chairman)

B. Juris (Hons), LLB, MBA

Mr Crabb is a former partner with the legal practice, Blakiston and Crabb and a Director of the investment bank, Chatsworth Stirling Pty Ltd. He holds degrees of Bachelor of Jurisprudence (Honours), Bachelor of Laws and Master of Business Administration from the University of Western Australia. He has practised as a solicitor since 1980 and was previously a partner with a major law firm. He specialises in mining, corporate and commercial law. Mr Crabb is also a director of Port Bouvard Limited Holdings Limited, Ashburton Minerals NL, Alcaston Mining NL, ST Synergy Ltd, Thundelarra Exploration Ltd, Chatsworth Stirling Pty Ltd and Deep Yellow Limited.

Mr Crabb was appointed a director on 8 February 1994.

Mr John Borshoff (Managing Director)

B.Sc. FAusIMM

Mr Borshoff is a geologist who has been involved in the Australian exploration and mining industry for 33 years. Mr Borshoff worked for International Nickel and Canadian Superior Mining before joining a German mining group, Uranerz from 1976 to 1991. He became Chief Geologist/Exploration Manager during the period 1981-1986 and served as its chief executive from 1987 to mid 1991 when the German parent of Uranerz made the decision to close its Australian operations. Uranerz primary focus was for the search and development of uranium projects with the company operating extensively throughout Australia, North America and Africa.

Mr Borshoff has extensive experience in uranium, gold and base metal exploration, company management and administration.

Mr Borshoff was appointed a director on 24 September 1993.

Dr Leon Pretorius (Executive Director)

BSc(Hons), MSc, PhD, FAusIMM (CP), MAIG, PrSciNat

Dr Pretorius is a geochemist with 33 years experience working both in Australia and Africa. He has extensive experience in uranium, gold, base metal and industrial mineral exploration and has a sound knowledge of opencast mining operations in Sub-Saharan Africa. From 1984 to 1990 Dr Pretorius was Managing Director of Australian publicly listed company Keela-Wee Exploration Ltd and since has been actively involved in the resource sector both in Australia and Southern Africa.

Dr Pretorius was appointed a director on 27 March 2003.

Principal Activity

The principal activity of the economic entity constituted by Paladin Resources Ltd and the entities it controlled during the financial year was mineral exploration.

Results of Operations

The economic entity's policy is to write off acquisition and exploration costs associated with abandoned or non-commercial areas and to this extent an amount of \$Nil (2003: \$41,272) was written off. Expenditure totalling \$3,815,639 (2003: \$3,166,276) has been carried forward on other areas where operations are continuing. The consolidated results are as follows:

	2004	2003
	\$	\$
Operating profit/(loss) after income tax	189,872	(571,633)

Dividends

No dividend has been paid during the financial year and no dividend is recommended for the current year.

Review of Operations

A detailed review of the economic entity's operations is set out on pages 6 to 11 of this report.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the economic entity during the financial year not otherwise dealt with in this report.

Matters Subsequent to the End of the Financial Year

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the economic entity, the results of these operations or the state of affairs of the economic entity in subsequent financial years with the exception of those matters disclosed in Note 26 of the financial statements.

Environmental Regulations

The consolidated entity is subject to significant environmental regulation in respect to its exploration

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Company reviewed the Company's projects during the year and are not aware of any breach of environmental legislation for the financial year under review.

Likely Developments

Likely developments in the operations of the economic entity constituted by Paladin Resources Ltd and the entities it controls from time to time are set out in the attached Review of Operations.

Options over Unissued Capital

Disclosure relating to options over unissued capital has been included in Note 18 to the financial report.

Directors' Interests in Shares and Options of the Company

	Fully Paid Shares	Options*	Options**	Options***
R W Crabb	5,464,746	1,000,000	2,250,000	750,000
J Borshoff	13,091,394	1,500,000	2,500,000	1,000,000
L Pretorius	8,550,000	-	2,250,000	750,000

The particulars of Directors' interests in shares and options are as at the date of this report.

* Unlisted and exercisable at 15 cents on or before 30 November 2004

** Unlisted and exercisable at 22 cents on or before 26 May 2006

*** Unlisted and exercisable at 32 cents on or before 26 May 2006

Directors' and Executives' Emoluments

Disclosure relating to specified Directors' and Executive Officers' emoluments have been included in Note 17 to the financial report.

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2004 and the number of meetings attended by each Director.

Number of meetings held:	10
Number of meetings attended by:	
R W Crabb	10
J Borshoff	10
L Pretorius	10

Insurance of Officers

During the financial year, the Company has paid premiums to insure each of the following persons against certain liabilities arising out of their conduct while acting in the capacity of officer of the Company.

R. Crabb
J. Borshoff
L. Pretorius
G. Swaby

Under the terms of the insurance contract, the nature of liabilities insured against and the premium paid cannot be disclosed.

DATED at Perth this 29th day of September 2004

Signed in accordance with a resolution of Directors.



J Borshoff (Managing Director)

STATEMENT OF FINANCIAL PERFORMANCE**FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	CONSOLIDATED		PARENT ENTITY	
		2004	2003	2004	2003
		\$	\$	\$	\$
Revenue from ordinary activities	2	784,929	148,905	662,893	25,857
Exploration costs written off	3	-	(41,272)	-	(16,807)
Borrowing costs	3	(59,166)	(59,503)	(2,480)	-
General and administration	3	(520,891)	(556,971)	(480,834)	(510,020)
Bad debts written off	3	-	(81,800)	-	(29,227)
Write down of investments	3	-	-	-	(466,974)
Cost of investments sold		-	-	(589,735)	-
Costs of exploration data sold		(15,000)	-	-	-
Write back of investments	3	-	256,000	-	256,000
Share of net loss of associate accounted for using the equity method		-	(236,992)	-	-
Profit/(loss) from ordinary activities before income tax		189,872	(571,633)	(410,156)	(741,171)
Income tax expense	4	-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners	22	189,872	(571,633)	(410,156)	(741,171)
Basic and diluted earnings per share	29	\$0.0007	(\$0.0027)		

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

STATEMENT OF FINANCIAL POSITION**FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	CONSOLIDATED		PARENT ENTITY	
		2004	2003	2004	2003
		\$	\$	\$	\$
CURRENT ASSETS					
Cash	5	4,638,702	121,829	4,518,447	115,178
Receivables	6	48,724	171,279	24,470	145,159
Property Plant & Equipment	7	1,114,242	1,132,955	-	-
TOTAL CURRENT ASSETS		5,801,668	1,426,063	4,542,917	260,337
NON CURRENT ASSETS					
Receivables	8	64,438	24,438	4,106,112	3,343,918
Investments in associate	9	-	-	-	589,735
Other financial assets	10	800,000	800,000	1,351,998	1,417,178
Property, plant & equipment	11	249,315	318,871	26,277	12,654
Other	12	3,815,639	3,166,276	-	-
TOTAL NON CURRENT ASSETS		4,929,392	4,309,585	5,484,387	5,363,485
TOTAL ASSETS		10,731,060	5,735,648	10,027,304	5,623,822
CURRENT LIABILITIES					
Accounts payable	13	553,538	471,188	528,096	456,265
Provisions	14	33,702	37,097	33,702	37,097
Interest bearing liabilities	15	733,326	731,943	-	-
Other	16	-	50,000	-	50,000
TOTAL CURRENT LIABILITIES		1,320,566	1,290,228	561,798	543,362
NON CURRENT LIABILITIES					
Other	17	-	20,000	-	-
TOTAL NON CURRENT LIABILITIES		-	20,000	-	-
TOTAL LIABILITIES		1,320,566	1,310,228	561,798	543,362
NET ASSETS		9,410,494	4,425,420	9,465,506	5,080,460
EQUITY					
Contributed equity	18	24,265,296	19,470,094	24,265,296	19,470,094
Reserves	19	174,463	174,463	174,463	174,463
Accumulated losses	20	(15,029,265)	(15,219,137)	(14,974,253)	(14,564,097)
TOTAL EQUITY	22	9,410,494	4,425,420	9,465,506	5,080,460

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

STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	CONSOLIDATED		PARENT ENTITY	
		2004	2003	2004	2003
		\$	\$	\$	\$
Cash flows from operating activities					
Payments to suppliers and employees		(378,463)	(346,710)	(278,932)	(275,215)
Interest received		32,560	1,793	32,511	1,793
Interest paid		(59,166)	(59,503)	(2,480)	(61)
Rental income		169,400	122,674	-	-
Other receipts		137,252	-	137,252	-
Net cash outflow from operating activities	28	(98,417)	(281,746)	(111,649)	(273,483)
Cash flows from investing activities					
Payments for property, plant and equipment		(19,444)	(235)	(19,444)	(235)
Exploration and evaluation expenditure		(572,507)	(256,525)	-	(16,807)
Loans to controlled entities		-	-	(677,879)	(147,900)
Sale proceeds on investments		537,839	-	537,839	-
Payment for controlled entities net of cash acquired	10	-	(4,649)	-	-
Sale of exploration data		15,000	-	-	-
Net cash outflow from investing activities		(39,112)	(261,409)	(159,484)	(164,942)
Cash flows from financing activities					
Share placement		4,762,850	366,050	4,762,850	366,050
Fundraising costs		(38,448)	(37,956)	(38,448)	(37,956)
Repayment of borrowings		(70,000)	-	(50,000)	-
Loan funding		-	50,000	-	50,000
Net cash inflow from financing activities		4,654,402	378,094	4,674,402	378,094
Net increase/(decrease) in cash held		4,516,873	(165,061)	4,403,269	(60,331)
Cash at the beginning of the financial year		121,829	286,890	115,178	175,509
Cash at the end of the financial year	5	4,638,702	121,829	4,518,447	115,178
Non-cash financing and investing activities	28				

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

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's and consolidated entity's assets and the discharge of their liabilities in the normal course of business.

This general purpose financial report has also been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus View, the Corporations Act 2001 and the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(b) Principles of Consolidation

The consolidated accounts incorporate the assets and liabilities and results of all entities controlled by Paladin Resources Ltd as at 30 June 2004 and the results of all controlled entities for the year then ended. Paladin Resources Ltd and its controlled entities together are referred to in this financial report as the economic entity. The effects of inter-entity transactions have been eliminated from the consolidated accounts. Where controlled entities are acquired during the year, their results are included only from the date control commences.

On acquisition of some or all of the shares in a controlled entity, the identifiable net assets acquired are measured at their fair value. The excess of the fair value of the purchase consideration over the fair value of identifiable assets acquired (ie: goodwill) is amortised over a period of twenty years. Where a discount on acquisition arises, that discount is accounted for by reducing proportionately the fair value of the non monetary assets acquired until the discount is eliminated. Any residual discount is immediately recognised in the statement of financial performance.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the profits or losses of associates is recognised as revenue in the consolidated statement of financial performance and its share of movements in reserves is recognised in consolidated reserves. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(c) Exploration, Evaluation and Development Expenditure

Costs incurred during the exploration, evaluation and development stages of specific areas of interest are accumulated. Such costs are written off unless the Directors consider that the costs are expected to be fully recouped through the successful development of the area, or where activities to date have not reached a stage to allow reasonable assessment regarding existence of economically recoverable reserves.

Costs are written off as soon as an area has been abandoned or is considered to be non-commercial.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Company's rights of tenure to that area of interest are current. Once production commences, expenditure accumulated in respect of areas of interest will be amortised on a unit of production basis against the economically recoverable mineral resources.

(d) Earnings per Share

(i) *Basic Earnings per share*

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) *Diluted earnings per share*

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

(e) Cash

For the purposes of the statements of cash flows, cash includes deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

(f) Databases

(i) *Project Generation Database*

The project generation database, consists of unpublished and generally unavailable exploration, geological and other data. The cost of this database is amortised on a straight line basis over a period of 10 years.

(ii) *Technical Database*

The technical database includes an extensive technical library and published exploration data. The Directors consider that this information diminishes in value over time and accordingly periodic amortisation charges are raised on a straight line basis over a period of 10 years.

(g) Valuation Of Non-Current Assets

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amounts at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. Unless otherwise stated, in assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

(h) Acquisition Of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is at the value agreed between the parties. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(i) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(j) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(k) Investments

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(a).

(l) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings.

(n) Adoption of Australian Equivalent to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

Notes	CONSOLIDATED		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
2. REVENUE				
Revenue from outside the operating activities:				
Interest	72,560	26,231	119,924	25,857
Property rental	129,400	122,674	-	-
Proceeds on sale of investments	537,839	-	537,839	-
Building contribution	40,000	-	-	-
Hire of equipment	5,130	-	5,130	-
	784,929	148,905	662,893	25,857
3. OPERATING PROFIT/(LOSS)				
Profit/(loss) from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains/(losses)				
Net gain on disposal of investments	537,839	-	125,024	-
Net loss on disposal of investments	-	-	(176,920)	-
Expenses:				
Depreciation				
- property, plant and equipment	5,821	11,050	5,821	11,050
- buildings	18,713	18,713	-	-
Total depreciation	24,534	29,763	5,821	11,050
Amortisation				
- technical database	8,786	26,250	-	-
- project generation database	59,393	59,393	-	-
Total amortisation	68,179	85,643	-	-
Other charges against assets:				
Provision for non-recovery of				
- intercompany loan	-	-	3,002	85,642
- investment in controlled entity	-	-	65,180	-
- investment in associate	-	-	-	466,974
Exploration expenditure written off	-	41,272	-	16,807
Bad debts written off	-	81,800	-	29,227
Write back of provision for non-recovery of convertible notes	-	(256,000)	-	(256,000)
Other provisions:				
Employee entitlements	(3,395)	4,487	(3,395)	4,487
Borrowing costs:				
Interest paid/payable	59,166	59,503	2,480	61

NOTES TO THE FINANCIAL REPORT**FOR THE YEAR ENDED 30 JUNE 2004**

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$	\$	\$	\$
4. INCOME TAX				
The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating profit/(loss). The differences are reconciled as follows:				
Operating profit/(loss) before income tax	189,872	(571,633)	(410,156)	(741,171)
Income tax (benefit) calculated at 30% (2003: 30%)	56,962	(171,490)	(123,047)	(222,351)
Tax effect of permanent differences:				
Capital profits not subject to income tax	(197,375)	-	-	-
Non-deductible expenditure	14,901	32,615	11,688	6,922
	(125,512)	(138,875)	(111,359)	(215,429)
Tax benefit not recognised	125,512	138,875	111,359	215,429
Income tax attributable to operating profit/(loss)	-	-	-	-
The Directors estimate that the potential future income tax benefit at 30 June 2004 not brought to account is:				
Tax losses	2,535,227	2,409,715	1,051,154	939,79
Capital losses	1,129,332	1,113,763	1,114,836	1,099,267
This benefit for tax and capital losses will only be obtained if:				
(i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;				
(ii) the economic entity continues to comply with the conditions for deductibility imposed by tax legislation; and				
(iii) no changes in tax legislation adversely affect the economic entity in realising the benefit from the deductions for the losses.				
5. CASH				
Cash at bank and on hand	4,638,702	121,829	4,518,447	115,178
6. CURRENT RECEIVABLES				
Sundry debtors	48,724	171,279	24,470	145,159

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$	\$	\$	\$
7. CURRENT PROPERTY PLANT & EQUIPMENT				
Land and buildings - at cost	1,175,474	1,175,474	-	-
Less provision for depreciation	(61,232)	(42,519)	-	-
	<u>1,114,242</u>	<u>1,132,955</u>	<u>-</u>	<u>-</u>

The land and building at 5 to 7 Belmont Avenue has been classified as a current asset in light of active negotiations to sell the property.

Reconciliations

Reconciliations of the carrying amounts of land and buildings at the beginning and end of the year are set out below:

Consolidated - 2004

Carrying amount at start of year	1,132,955	1,151,668
Depreciation (Note 3)	(18,713)	(18,713)
Carrying amount at end of year	<u>1,114,242</u>	<u>1,132,955</u>

8. NON CURRENT RECEIVABLES

Unsecured loan to controlled entities	-	-	6,984,479	6,259,283
Less provision for non-recovery	-	-	(2,942,805)	(2,939,803)
	-	-	<u>4,041,674</u>	<u>3,319,480</u>
Sundry debtors (i)	64,438	24,438	64,438	24,438
	<u>64,438</u>	<u>24,438</u>	<u>4,106,112</u>	<u>3,343,918</u>

(i) This represents interest at 5% per annum on the \$800,000 Convertible Notes, effective from 22 November 2002. (Note 10)

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

9. NON CURRENT INVESTMENTS - ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$	\$	\$	\$

Shares in associate	-	-	-	589,735
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Shares in associate

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

Investment in associate

Name	Principal Activity	Ownership Interest		Consolidated Carrying Amount		Parent Entity Carrying Amount	
		2004	2003	2004	2003	2004	2003
				\$	\$	\$	\$
ST Synergy Ltd*	Knowledge Management Software	-	23%	-	-	-	1,056,709
Less provision for non-recovery of investment						-	466,974
						-	589,735

* Traded

*Movements in carrying amount
of investment in associate*

Carrying amount at start of year	-	236,991	-	-
Amortisation of goodwill	-	(200,000)	-	-
Share of operating loss	-	(36,991)	-	-
Carrying amount at the end of the financial year	-	-	-	-

*Summary of the performance
and financial position of associate*

The aggregate losses, assets and liabilities of associates are:

Losses from ordinary activities	-	636,752
Assets	-	1,130,864
Liabilities	-	133,655

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$	\$	\$	\$
10. OTHER FINANCIAL ASSETS				
Shares at cost - controlled entities (a)	-	-	1,961,605	1,961,605
Less provision for non-recovery	-	-	(1,409,607)	(1,344,427)
	-	-	551,998	617,178
Convertible notes (c)	800,000	800,000	800,000	800,000
	800,000	800,000	1,351,998	1,417,178

(a) Investments in Controlled Entities

NAME	COUNTRY OF INCORPORATION	PERCENTAGE INTEREST HELD		COST OF PARENT ENTITY'S INVESTMENT	
		2004	2003	2004	2003
				\$	\$
Eden Creek Pty Ltd *	Australia	100%	100%	1,700,002	1,700,002
Paladin Energy Minerals NL	Australia	100%	100%	1	1
Etron Properties Pty Ltd *	Australia	100%	100%	261,602	261,602
Paladin (Africa) Ltd *	Malawi	100%	100%	-	-
Lahndrik Holdings SA #	Luxembourg	100%	100%	-	-
Langer Heinrich Uranium (Pty) Ltd +	Namibia	100%	100%	-	-
				1,961,605	1,961,605
Less provision for non-recovery of investment				(1,409,607)	(1,344,427)
				551,998	617,178

All investments comprise ordinary shares and all shares held are unquoted.

* These entities are not required to prepare or lodge audited accounts.

Held by Paladin Energy Minerals NL

+ Held by Lahndrik Holdings SA

(b) Acquisition of controlled entities

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$	\$	\$	\$
Outflow of cash to acquire controlled entity, net of cash acquired				
Cash consideration	-	15,000	-	-
Less: balances acquired				
Cash	-	10,351	-	-
Outflow of cash	-	4,649	-	-

(c) Convertible Notes

The Deed of Company Arrangement (DOCA) for Coretel entered into by the Avanti Group International Pty Ltd was finalised 22 November 2002. Coretel has been successfully merged with e-span Solutions Pty Ltd (e-span).

Paladin retains a convertible note of \$800,000 with a term of 4 years. The convertible note will accrue interest at a rate of 5% per annum payable at maturity. On the present corporate structure Paladin has the right to a 30% equity in this new merged group via its convertible note facility and this conversion is at Paladin's discretion.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$	\$	\$	\$
11. NON CURRENT PROPERTY PLANT & EQUIPMENT				
Plant and equipment - at cost	420,535	401,091	420,535	401,091
Less provision for depreciation	(394,258)	(388,437)	(394,258)	(388,437)
	26,277	12,654	26,277	12,654
Technical database - at cost	262,500	262,500	-	-
Less amortisation	(262,500)	(253,714)	-	-
	-	8,786	-	-
Project generation database - at cost	578,932	593,932	-	-
Less amortisation	(355,894)	(296,501)	-	-
	223,038	297,431	-	-
	249,315	318,871	26,277	12,654

Reconciliations

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

	Total	Plant & Equipment	Database
	\$	\$	\$
Consolidated - 2004			
Carrying amount at start of year	318,871	12,654	306,217
Additions	19,444	19,444	-
Depreciation/amortisation expense (Note 3)	(74,000)	(5,821)	(68,179)
Disposal at cost	(15,000)	-	(15,000)
Carrying amount at end of year	249,315	26,277	223,038
Parent Entity - 2004			
Carrying amount at start of year	12,654	12,654	-
Additions	19,444	19,444	-
Depreciation/amortisation expense (Note 3)	(5,821)	(5,821)	-
Carrying amount at end of year	26,277	26,277	-

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$	\$	\$	\$
12. NON CURRENT ASSETS - OTHER				
Exploration Expenditure				
Carrying amount at start of year	3,166,276	2,808,937	-	-
Movements:				
Direct expenditure for year	649,363	398,611	-	16,807
Expenditure written off	-	(41,272)	-	(16,807)
	3,815,639	3,166,276	-	-

13. ACCOUNTS PAYABLE

Trade creditors and accruals	553,538	471,188	528,096	456,265
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Repayment Schedule for Certain Debts

Agreement was reached between the Company (represented by the independent Director, Dr Leon Pretorius) and other Directors, former Directors and associates of Directors of Paladin in relation to the satisfaction of debts totalling \$402,836. It was agreed repayment would only be made out of the balance reached by Paladin from sale by Etron Properties Pty Ltd of the property at 5-7 Belmont Avenue Belmont. It is further understood that if Paladin does not receive sufficient monies to satisfy these debts then the balance of those debts shall be forgiven and released in full.

14. CURRENT PROVISIONS

Employee entitlements (Note 30)	33,702	37,097	33,702	37,097
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15. CURRENT INTEREST BEARING LIABILITIES

Bank loans - secured	733,326	731,943	-	-
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The bank loan used to finance the purchase of 5 to 7 Belmont Avenue has been classified as a current liability in light of active negotiations to sell the property and then repay the bank loan. The bank loan referred to above of the controlled entity are secured by a first mortgage over the controlled entity's freehold land and buildings, being charged interest at the rate of 7.7% on \$260,000 and 8.05% on \$472,500 (2003: 7.2% on \$260,000 and 8.35% on \$472,500).

Assets pledged as security

The carrying amounts of non-current assets pledged as security are:

First mortgage

Freehold land and buildings	1,114,243	1,132,955	-	-
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NOTES TO THE FINANCIAL REPORT**FOR THE YEAR ENDED 30 JUNE 2004**

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$	\$	\$	\$
16. OTHER CURRENT LIABILITIES				
Loans - related parties (unsecured)	-	45,000	-	45,000
Loans - non related parties (unsecured)	-	5,000	-	5,000
	-	50,000	-	50,000

17. OTHER NON CURRENT LIABILITIES

Loan from non-related party (unsecured)	-	20,000	-	-
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	CONSOLIDATED AND PARENT ENTITY			
	2004	2003	2004	2003
	Shares	Shares	\$	\$

18. CONTRIBUTED EQUITY

(a) Share Capital

Ordinary shares fully paid	333,685,713	265,585,713	24,265,296	19,470,094
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(b) Movements in ordinary share capital

Date		Number of Shares ¢	Issue Price \$	Total
September 2002	Issue in lieu of fees	1,795,000	2¢	35,900
October 2002	Share Purchase Plan	4,645,888	2.3¢	106,850
May 2003	Placement	32,400,000	.08¢	259,200
	Less: Transaction costs arising on share issues			(31,249)
	Balance 30 June 2003	265,585,713		19,470,094
August 2003	Placement	5,000,000	1¢	50,000
September 2003	Issue in lieu of fees	3,000,000	1¢	30,000
October 2003	Placement	6,350,000	2.1¢	133,350
October 2003	Issue in lieu of fees	1,000,000	2.58¢	25,800
February 2004	Placement	10,000,000	5.25¢	525,000
February 2004	Option Conversions	4,500,000	1.1¢	49,500
February 2004	Placement	6,250,000	8¢	500,000
May 2004	Placement	32,000,000	11¢	3,520,000
	Less: Transaction costs arising on share issues			(38,448)
	Balance 30 June 2004	333,685,713		24,265,296

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

18. CONTRIBUTED EQUITY (Cont'd)

(c) Issued Options

		Number of Options	
		2004	2003
Unlisted Options			
(i)	Exercisable at 15 cents, on or before 30 November 2004.		
	Balance at 1 July	4,700,000	4,700,000
	Issued during year	-	-
	Balance at end of year	4,700,000	4,700,000
(ii)	Exercisable at 1.1 cents, on or before 31 March 2004		
	Balance at 1 July	-	-
	Issued during year	4,500,000	-
	Exercised during year	(4,500,000)	-
	Balance at end of year	-	-
(iii)	Exercisable at 1.2 cents, on or before 31 December 2004		
	Balance at 1 July	-	-
	Issued during year	4,200,000	-
	Balance at end of year	4,200,000	-
(iv)	Exercisable at 1.3 cents, on or before 30 November 2005		
	Balance at 1 July	-	-
	Issued during year	3,800,000	-
	Balance at end of year	3,800,000	-
(v)	Exercisable at 22 cents, on or before 26 May 2006		
	Balance at 1 July	-	-
	Issued during year	12,000,000	-
	Balance at end of year	12,000,000	-
(vi)	Exercisable at 32 cents, on or before 26 May 2006		
	Balance at 1 July	-	-
	Issued during year	3,000,000	-
	Balance at end of year	3,000,000	-

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

18. CONTRIBUTED EQUITY (Cont'd)**(c) Issued Options**

	Number of Options	
	2004	2003
Listed Options		
(vii) Exercisable at 10 cents, on or before 21 January 2004		
Balance at 1 July	63,000,000	62,250,000
Issued during year	-	750,000
Expired during year	(63,000,000)	-
Balance at end of year	-	63,000,000
(viii) Exercisable at 15 cents, on or before 31 May 2003		
Balance at 1 July	-	52,303,071
Expired during year	-	(52,303,071)
Balance at end of year	-	-

(d) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$	\$	\$	\$
19. RESERVES				
Option Application Reserve				
Balance brought forward	174,463	181,170	174,463	181,170
Less expenses of issue	-	(6,707)	-	(6,707)
	174,463	174,463	174,463	174,463

20. ACCUMULATED LOSSES

Accumulated losses at beginning of financial year	(15,219,137)	(14,647,504)	(14,564,097)	(13,822,926)
Net profit/(loss) attributable to members of Paladin Resources Ltd	189,872	(571,633)	(410,156)	(741,171)
Accumulated losses at the end of the financial year	(15,029,265)	(15,219,137)	(14,974,253)	(14,564,097)

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

21. COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding commitments or contingent liabilities, which are not disclosed in the financial statements of the economic entity and the Company as at 30 June 2004 other than:

(a) Exploration Tenement Leases

In order to maintain the tenements in which the Company and other parties are involved, all parties are committed to meet the conditions under which the tenements were granted in accordance with the relevant mining legislation in Australia. These commitments relate to tenement lease rentals and the minimum expenditure requirements of the Western Australian, Northern Territory and South Australian Mines Departments attaching to the tenements and are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made. In 2004/2005, estimated outlays by the Company and the economic entity are \$220,000 (2003: \$191,876). Commitments beyond 2004/2005 are dependent upon whether existing rights of tenure are renewed or new rights of tenure are acquired.

(b) Acquisition Costs

The economic entity acquired a call option on 19 June 1998 in relation to the purchase of the Oobagooma Uranium Deposit. As a condition to the option contract, the economic entity granted a put option to the current holder of the Oobagooma Uranium Deposit. Both the call and put options have an exercise price of \$750,000. Both of the options are subject to the Department of Minerals & Energy granting tenements comprising 2 exploration licence applications. The \$750,000 is payable by the economic entity within 10 business days of the later of the grant of the tenements or the exercise of either the call or put option. The options will expire 3 months after the date on which either of the tenements are granted.

In relation to the Manyingee Uranium Project, the re-negotiated acquisition terms provide for a payment of \$750,000 to the vendors only if all project development approvals have been obtained.

22. EQUITY

	CONSOLIDATED		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
Total equity at beginning of financial year	4,425,420	4,633,059	5,080,460	5,457,637
Total changes in equity recognised in the statement of financial performance	189,872	(571,633)	(410,156)	(741,171)
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	4,795,202	363,994	4,795,202	363,994
Total equity at the end of the financial year	9,410,494	4,425,420	9,465,506	5,080,460

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

23. AUDITOR'S REMUNERATION

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) Audit services				
Auditors of the Company				
Audit and review of financial reports	14,650	9,000	14,650	9,000
Other auditors				
Audit and review of financial reports	5,538	-	-	-
	20,188	9,000	14,650	9,000
(b) Other services				
Auditors of the company				
Taxation compliance services	7,090	13,810	7,090	13,810

24. DIRECTORS AND EXECUTIVES DISCLOSURE

(a) Remuneration of Specified Directors and Specified Executives

Directors	Year	Primary		Post Employment	Equity	Other	Total
		Salary/Fees	Cash Bonus	Superannuation	Options		
		\$	\$	\$	\$	\$	\$
R W Crabb (Chairman)	2004	22,936	-	2,064	73,200	¹ 24,689	122,889
	2003	12,000	-	-	-	28,576	40,576
J Borshoff (Managing Director)	2004	25,000	-	-	83,750	² 102,767	211,517
	2003	12,000	-	-	-	153,500	165,500
L Pretorius (Executive Director)	2004	25,000	-	-	73,200	³ 79,200	177,400
	2003	3,000	-	-	1,500	20,000	24,500
Total	2004	72,936	-	2,064	230,150	206,656	511,806
	2003	27,000	-	-	1,500	202,076	230,576

1. Fees paid in the normal course of business for legal services totalling \$24,689 (2003 : \$28,576) were paid/payable (balance outstanding at 30 June 2004 and included in trade creditors \$45,659 (2003 : \$23,001)) to Blakiston & Crabb, Solicitors, a firm in which R W Crabb was a partner to 30 June 2004;
2. Fees paid in the normal course of business for geological and consulting services totalling \$102,767 (2003 : \$153,500) were paid/payable (balance outstanding at 30 June 2004 and included in trade creditors \$195,227 (2003 : \$204,760)) to a company in which J Borshoff is a director and shareholder; and
3. Fees paid in the normal course of business for geological and consulting services totalling \$79,200 (2003:\$20,000) were paid/payable (balance outstanding at 30 June 2004 and included in trade creditors: \$6,600 (2003: Nil)) to a company in which L E Pretorius is a director and shareholder.

The Company had no Specified Executives during the year.

(b) Remuneration policy

This policy is set out in the Corporate Governance section of the Directors' Report.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

24. DIRECTORS AND EXECUTIVES DISCLOSURE (Cont'd)

(c) Remuneration options

During the financial year, options were granted to specified Directors as disclosed in Note (d) below. The options were issued free and each option entitles the option holder to subscribe for one fully paid ordinary share.

The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The options expire and their exercise price is disclosed in (d) below. The value disclosed in (a) above is the portion of the fair value of the options allocated to this reporting period. There is no key performance criteria to be met in the period prior to vesting.

Share issues to specified directors on the exercise of remuneration options during the year are disclosed in Note (e) below.

(d) Option holdings of Specified Directors

	Balance 1 July 2004	Options Granted	Options Exercised	Balance 30 June 2004
R W Crabb				
15c*	1,000,000	-	-	1,000,000
22c**	-	2,250,000	-	2,250,000
32c***	-	750,000	-	750,000
Total	1,000,000	3,000,000	-	4,000,000
J Borshoff				
15c*	1,500,000	-	-	1,500,000
22c**	-	2,500,000	-	2,500,000
32c***	-	750,000	-	1,000,000
Total	1,500,000	3,000,000	-	5,000,000
L Pretorius				
22c**	-	2,250,000	-	2,250,000
32c***	-	750,000	-	750,000
Total	-	3,000,000	-	3,000,000

* Unlisted and exercisable at 15 cents on or before 30 November 2004

** Unlisted and exercisable at 22 cents on or before 26 May 2006

*** Unlisted and exercisable at 32 cents on or before 26 May 2006

(e) Shareholdings of Specified Directors

	Balance 1 July 2003	Net Change Other	Balance 30 June 2004
R W Crabb	5,964,746	(500,000)	5,464,746
J Borshoff	12,458,394	633,000	13,091,394
L Pretorius	5,000,000	3,550,000	8,550,000
Total	23,423,140	3,683,000	27,106,150

NOTES TO THE FINANCIAL REPORT**FOR THE YEAR ENDED 30 JUNE 2004****25. SEGMENT REPORTING****Business segments**

The consolidated entity operates in the following segments:-

Resources

Strong resource focus on uranium together with a proprietary database covering uranium, gold, copper and platinum.

Software

The 23% investment in ST Synergy Ltd, a Knowledge Management software company listed on Australian Stock Exchange Limited, was sold during the year ended 30 June 2004.

Telecommunications

Convertible notes totalling \$800,000 with a 4 year term, accruing interest at 5% per annum. These arise from the Company's original investment in Coretel Pty Ltd, a niche telecommunications company.

Property

Commercial premises located in Belmont, Perth, Western Australia.

**Industry Segments
2004**

	Resources	Soft-ware	Tele-communications	Property	Consolidated
	\$	\$	\$	\$	\$
Other revenue	202,665	412,815	-	169,449	784,929
Total segment revenue	202,665	412,815	-	169,449	784,929
Profit/(loss) from ordinary activities before income tax expense	(281,345)	412,815	-	57,702	189,172
Income tax expense	-	-	-	-	-
Profit/(loss) from ordinary activities after income tax expense	(281,345)	412,815	-	57,702	189,172
Total assets	8,816,818	-	800,000	1,114,242	10,731,060
Segment liabilities	189,246	-	-	733,326	922,572
Unallocated liabilities	-	-	-	-	397,994
Total liabilities	189,246	-	-	733,326	1,320,566
Acquisitions of property, plant and equipment, and other non-current segment assets	668,807	-	-	-	668,807
Depreciation and amortisation expense	74,000	-	-	18,713	92,713
Other non-cash expenses	-	-	-	-	-

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

25. SEGMENT REPORTING (Cont'd)

Industry Segments 2003	Resources	Soft- ware	Tele- communications	Property	Consolidated
	\$	\$	\$	\$	\$
Other revenue	25,857	-	-	123,048	148,905
Total segment revenue	25,857	-	-	123,048	148,905
Loss from ordinary activities before income tax expense	(554,663)	(236,992)	256,000	(35,978)	(571,633)
Income tax expense	-	-	-	-	-
Loss from ordinary activities after income tax expense	(554,663)	(236,992)	256,000	(35,978)	(571,633)
Total assets	3,772,267	-	800,000	1,163,381	5,735,648
Segment liabilities	151,047	-	-	731,943	882,990
Unallocated liabilities	-	-	-	-	427,238
Total liabilities	151,047	-	-	731,943	1,310,228
Acquisitions of property, plant and equipment, and other non-current segment assets	398,846	-	-	-	398,846
Depreciation and amortisation expense	96,693	-	-	18,713	115,406
Other non-cash expenses	-	-	(256,000)	81,800	(174,200)

Geographical Segments

	Segment revenues		Segment assets		Acquisitions of property, plant and equipment, and other non- current segment assets	
	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$
Australia	784,929	148,905	8,987,451	4,597,412	111,197	17,042
Africa	-	-	1,743,609	1,138,236	557,610	381,804
	784,929	148,905	10,731,060	5,735,648	668,807	398,846

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

26. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the economic entity in subsequent financial years with the exception of:-

a) Conversion of Options

Subsequent to year end, the following unlisted options were exercised resulting in the issue of the equivalent number of fully paid ordinary shares: -

* 4,200,000 exercisable at 1.2 cents

* 3,800,000 exercisable at 1.3 cents

b) Langer Heinrich Uranium Project - Increase in Mineral Resources

On 6 August 2004 the Company announced an increase in the resource estimates for the Langer Heinrich Uranium Project. This follows work undertaken by Hellman and Schofield Pty Ltd, mineral resource specialists.

Mineral resources now stand at: -

- 89.3Mt ore at 0.046% U308 containing 41,200t U308 (100ppm cut-off)
- 42.7Mt ore at 0.076% U308 containing 32,300t U308 (300ppm cut-off)
- 21.2Mt ore at 0.113% U308 containing 24,100t U308 (500ppm cut-off)

The new resource estimates have significantly increased the amount of Measured Resources to 10.2Mt from the previous 2.0Mt.

c) Sale of Commercial Premises, Belmont

On 17 September 2004 an offer and acceptance was signed for the sale of the property at 5-7 Belmont Avenue for \$1,200,000. The offer is subject to finance and due diligence, becoming unconditional on 15 October 2004. Settlement date is anticipated to be 5 November 2004.

d) Placement of Shares

On 23 September 2004 the Company announced it had placed 7,500,000 fully paid shares at an issue price of 40 cents per share with a prominent Canadian investment fund to raise \$3,000,000. Funds raised will be used for funding and development of the Kayelekera Uranium Project and to provide general working capital.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

27. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES TO OPERATING PROFIT/(LOSS) AFTER INCOME TAX

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$	\$	\$	\$
Operating profit/(loss) after income tax	189,872	(571,633)	(410,156)	(741,171)
Non cash items:				
Depreciation and amortisation	92,713	115,406	5,821	11,050
Exploration expenditure written off	-	41,272	-	16,807
Provision for non-recovery of intercompany loan	-	-	3,002	85,642
Provision for non-recovery of investments	-	-	65,180	466,974
Write back of provision for non-recovery of convertible note	-	(256,000)	-	(256,000)
Gain on disposal of investments	(537,839)	-	51,896	-
Profit on sale of investments	-	-	-	-
Bad debts written off	-	81,800	-	29,227
Share of loss in associate using equity method	-	236,992	-	-
Change in operating assets and liabilities:				
Increase (Decrease) in trade debtors	5,700	(61,850)	80,689	9,545
(Increase)Decrease in operating liabilities	151,137	132,267	91,919	104,443
Net cash outflow from operating activities	(98,417)	(281,746)	(111,649)	(273,483)

28. FINANCING AND INVESTMENT ACTIVITIES

- (a) Non cash financing and investment activities

Issue of shares in lieu of technical consulting fees	70,800	35,900	70,800	35,900
--	--------	--------	--------	--------

- (b) Financing facilities available

In December 2003, a financial institution approved a \$2 million loan facility to assist with the bankable feasibility study of the Langer Heinrich uranium project. At the reporting date, the facility was unused.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

29. EARNINGS PER SHARE

	CONSOLIDATED	
	2004	2003
	\$	\$
(a) Basic and Diluted Profit/(Loss) Per Share	\$0.0007	(\$0.0027)
Weighted average number of ordinary shares on issue during the year used as the denominator in calculating basic earnings per share	288,130,097	208,280,686
	\$	\$
Earnings used in calculating diluted and basic earnings per share	189,872	(571,633)

(b) Diluted Earnings Per Share

Diluted earnings per share is the same as basic earnings per share as there are no potential ordinary shares that are dilutive.

30. EMPLOYEE ENTITLEMENTS

	PARENT ENTITY	
	2004	2003
	\$	\$
Provision for Annual Leave & Long Service Leave		
Aggregate employment entitlement liability	33,702	37,097
Employee numbers	Number	Number
Average number of employees during the financial year	4	4

Superannuation

The Company contributes to employees' superannuation plans in accordance with the requirements of Occupational Superannuation Legislation. Contributions by the parent entity represent a defined percentage of each employee's salary. Employee contributions are voluntary.

31. FINANCIAL INSTRUMENTS

(a) Credit Risk Exposure

The credit risk of financial assets of the consolidated entity which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposure

The consolidated entity's exposure to interest rate risk is limited to the floating market rate for the cash deposit, convertible debt and a property mortgage. All other financial assets and liabilities are non-interest bearing. The weighted average interest rate on cash deposits, convertible debt and property mortgage is 4%, 5.0% and 8.1%, respectively.

(c) Net Fair Value of Financial Assets and Liabilities.

The net fair value of cash, convertible debt and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 18 to 40.

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

Signed at Perth this 29th day of September 2004 in accordance with a resolution of the Directors.

A handwritten signature in dark ink, appearing to read 'J Borshoff', with a stylized flourish at the end.

J Borshoff (Managing Director)

RSM Bird Cameron Partners

Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PALADIN RESOURCES LTD

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Paladin Resources Ltd (the Company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:-

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit Opinion

In our opinion, the financial report of Paladin Resources Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Paladin Resources Ltd and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



RSM BIRD CAMERON PARTNERS



S C CUBITT
Partner

Perth, WA
Dated: 29 September 2004

'Liability is limited by the Accountants' Scheme pursuant to the NSW Professional Standards Act 1994'

Major Offices in:
Perth, Sydney, Melbourne, Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of Australian Stock Exchange Limited as at 27 September 2004.

(a) Distribution and number of holders

SHAREHOLDERS			
1	-	1,000	30
1,001	-	5,000	126
5,001	-	10,000	267
10,001	-	100,000	1,115
100,001	-	maximum	266
			1,804

39 shareholders hold less than a marketable parcel of shares.

(b) The twenty largest shareholders hold 70.97% of the total shares issued.

Holder	No. of Shares	%
ANZ Nominees Limited	86,070,171	25.19
National Nominees Limited	46,344,253	13.56
Citicorp Nominees Pty Limited	15,668,910	4.59
Merrill Lynch (Australia) Nominees Pty Ltd	14,917,173	4.37
Aylworth Holdings Pty Ltd	12,476,237	3.65
Mr Robert Anthony Healy and Mrs Helen Maree Healy	13,501,570	3.96
Dr Leon Eugene Pretorius	8,550,000	2.50
Mr Gregory James Buchanan and Mrs Heather Joy Buchanan	8,480,434	2.48
Resource Capital Fund 111 LP	6,250,000	1.83
Strategic Consultants Pty Ltd	5,595,515	1.64
Westpac Custodian Nominees Limited	4,460,000	1.31
Mr Rick Wayne Crabb and Mrs Carol Jean Crabb	3,248,050	0.95
Mr John Janowski	3,000,000	0.88
Mr James U Blanchard III C/- Jefferson Financial Inc	2,777,778	0.81
Mr Robert Anthony Healy	2,721,143	0.80
Mr Leslie Murray McKenzie	2,030,000	0.59
Calm Holdings Pty Ltd	1,711,994	0.50
Neo Pro Tec Pty Ltd	1,600,000	0.47
Mr Rick Wayne Crabb	1,529,218	0.45
Bruce Marks Pty Ltd	1,511,667	0.44
Total	242,444,113	70.97

(c) Voting rights

For all shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

ADDITIONAL INFORMATION (continued)

Pursuant to the Listing Requirements of Australian Stock Exchange Limited as at 27 September 2004.

(d) Mining Tenements held -

URANIUM PROJECTS

WESTERN AUSTRALIA

Project	Tenement	Interest %	JV Partner/s	Operator
Manyingee	3 ML's	100%	-	-
Oobagooma	4 EL(A)'s	100%	-	-

SOUTH AUSTRALIA

Project	Tenement	Interest %	JV Partner/s	Operator
Siccus	1 EL	90%	Signature Resources NL	Paladin
	1 EL(A)	90%	Signature Resources NL	Paladin
Lake Elder	1 EL	20%	Quasar Resources Pty Ltd	Quasar Resources Pty Ltd
Mt Yerila	1 EL	15%	Quasar Resources Pty Ltd	Quasar Resources Pty Ltd
			J E Risinger	Quasar Resources Pty Ltd

NORTHERN TERRITORY

Project	Tenement	Interest %	JV Partner/s	Operator
N E Arunta	1 EL	100%	-	-
Napperby	1 EL(A)	100%	-	-

MALAWI - AFRICA

Project	Tenement	Interest %	JV Partner/s	Operator
Kayelekera	1 EPL	90%	Balmain Resources Pty Ltd	Paladin

NAMIBIA - AFRICA

Project	Tenement	Interest %	JV Partner/s	Operator
Langer Heinrich	1 MDRL	100%	-	-

NON-URANIUM PROJECTS

SOUTH AUSTRALIA

Project	Tenement	Interest %	JV Partner/s	Operator
Mt Lofty Ranges	1 EL	90%	Absolut Resources Corporation	Paladin
Reaphook JV	1 EL	7.5%	Perilya Limited	Perilya Limited

NORTHERN TERRITORY

Project	Tenement	Interest %	JV Partner/s	Operator
Davenport	3 EL(A)'s	30%	Newmont NFM Pty Ltd	Newmont NFM Pty Ltd

EL	Exploration Licence (Australia)
EPL	Exclusive Prospecting Licence (Malawi)
MDRL	Mineral Deposit Retention Licence (Namibia)
ML	Mining Lease (Australia)
(A)	Pending Application



CORPORATE DIRECTORY

DIRECTORS

Chairman
Mr Rick Crabb

Managing Director
Mr John Borshoff

Executive Director
Dr Leon Pretorius

COMPANY SECRETARY

Ms Gillian Swaby

REGISTERED OFFICE

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SHARE REGISTER

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Telephone: (+61 8) 9323 2000
Facsimile: (+61 8) 9323 2033

AUDITORS

RSM Bird Cameron
8 St Georges Terrace
Perth Western Australia 6000

SOLICITORS TO THE COMPANY

Blakiston & Crabb
1202 Hay Street
West Perth Western Australia 6005

LISTED ON AUSTRALIAN STOCK EXCHANGE LIMITED

Code: PDN



**PALADIN
RESOURCES LTD**

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