



PALADIN ENERGY LTD

ACN 061 681 098

Ref: 104568

25 August 2008

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

Paladin Energy Ltd
30 June 2008 Appendix 4E Preliminary Financial Report

Attached please find Appendix 4E Preliminary Financial Report for the year ended 30 June 2008. The audited financial statements for this period are expected to be released in mid September, however, it is not expected there will be any material changes from those presented with this release.

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF
Managing Director



PALADIN ENERGY LTD

ACN 061 681 098

NEWS RELEASE

For Immediate Distribution

30 JUNE 2008 APPENDIX 4E Preliminary Financial Report

Perth, Western Australia – 25 August 2008: Paladin Energy Ltd (“Paladin” or “the Company”) (TSX:PDN / ASX:PDN) announces the release of its 30 June 2008 Appendix 4E – Preliminary Financial Report.

Projects:

- Production of 1.71Mlb of U₃O₈ at the Langer Heinrich Uranium Project in Namibia achieved by year end.
- Langer Heinrich Stage II production expansion project to 3.7Mlb pa on budget and on schedule for completion by end of calendar year 2008. Expenditure to 30 June was US\$8.9M. Components of Stage II capital will support Stage III expansion to 6.0Mlb pa.
- Sales of Langer Heinrich U₃O₈ for the year were 1.4Mlb at an average realised price of US\$66. Sales and shipping are now in alignment.
- The Kayelekera Uranium Project construction remained on time and budget with a CAPEX of US\$200M. Project expenditure to 30 June 2008 totaled US\$100M with a further US\$45M committed. The project is scheduled for commissioning and ramp up starting January 2009. All senior operations staff have now been recruited.
- The focus of exploration and evaluation continued in with the Biglryi Uranium Joint Venture in Northern Territory and in the Mount Isa Uranium Joint Venture and Isa North Uranium Project in Queensland. Total expenditure was US\$13.1M for the year.
- Awarded the Angela Uranium Joint Venture in Northern Territory in 50:50 joint venture with Cameco Corporation.

Corporate:

- Loss after tax for the year ending 30 June 2008 of US\$36.0M – consisting of US\$11.0M profit for Langer Heinrich as a consequence of improved performance; US\$13.1M investment in exploration and evaluation expenditure; US\$30.7M finance costs; and US\$25.1M in other expenses including corporate/marketing costs and employee benefits. During the year a total of US\$10.6M relating to non-cash share based payments was expensed.
- Strong balance sheet at 30 June 2008 with net assets of US\$1.4Bn including US\$338M in cash (US\$250M invested in US treasury bonds).
- Issue of US\$325M in Convertible Bonds on 11 March 2008 with a coupon rate of 5%, maturity 11 March 2013 and conversion price of US\$6.59 for Company shares.
- Credit committee approved offers received for finance totalling US\$167M for the Kayelekera Uranium Project, subject to legal documentation and fulfillment of other conditions precedent usual for this type of funding
- Strategic inventory build up for Paladin Nuclear Limited has commenced with 530,000lb U₃O₈ acquired at a cost of US\$31.8M.
- Management team continued to strengthen during year.
- Investment in ASX listed Deep Yellow Ltd increased by US\$17.8M.

These results may be found shortly with the Company's other documents filed on Sedar (<http://www.sedar.com>) or through the Company's website (<http://www.paladinenergy.com.au>). The documents filed comprise Appendix 4E including the Management Discussion and Analysis and Consolidated Financial Statements (unaudited). The audited financial statements for this period are expected to be released in mid September, however, it is not expected there will be any material changes from those presented with this release.

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Appendix 4E - Preliminary Financial Report
Financial year ended 30 June 2008

Paladin Energy Ltd

ABN or equivalent company reference

ACN. 061 681 098

Results for Announcement to the Market

Revenue from ordinary activities	Increased 809.8% to US\$101.9 million	
Loss from ordinary activities after tax attributable to members	Decreased 4.2% to US\$36.0 million	
Net Loss for the year attributable to members	Decreased 4.2% to US\$36.0 million	
Dividends	Amount per security	Franked amount per security
It is not proposed to pay dividends for the year	N/A	N/A
Previous corresponding year: No dividend paid	N/A	N/A
An explanation of the results is included in the Management Discussion & Analysis and the Financial Report attached.		
Net tangible assets per share	30 June 2008 US\$2.33	30 June 2007 US\$2.17
Other		
Previous corresponding period is the year ended 30 June 2007		
This report is based on financial statements which are in the process of being audited.		
All foreign subsidiaries are prepared using IFRS.		
Commentary on Results for the Year		
A commentary on the results for the year is contained in the press release dated 25 th August 2008.		



PALADIN ENERGY LTD

ACN 061 681 098

MANAGEMENT DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

YEAR ENDED 30 JUNE 2008

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
ON FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008**

INCOME STATEMENTS	YEAR ENDED 30 JUNE	
	2008 US\$m	2007 US\$m
Revenue from continuing operations	<u>101.9</u>	<u>11.2</u>
Gross profit/(loss)	35.5	(0.8)
Exploration and evaluation expenses	(13.1)	(7.4)
Other expenses net of other income	(35.7)	(28.5)
Finance costs	(30.7)	(13.0)
Share of loss of an associate	(0.2)	-
Income tax benefit	7.0	11.7
Minority interests	<u>1.2</u>	<u>0.4</u>
Loss after tax from continuing operations attributable to the ordinary equity holders of the Company	<u>(36.0)</u>	<u>(37.6)</u>
	US\$	US\$
Loss per share – basic and diluted	(0.06)	(0.07)

Revenue from Continuing Operations increased to US\$101.9 million for the year ended 30 June 2008 as a result of sales of uranium of US\$93.8 million from a full year of production from Langer Heinrich Uranium Project (LHUP). Total sales volume was 1,411,000lb of which 1,226,000lb was met with LHUP production and 185,000lb by the use of third party uranium purchased during the quarter ended 30 June 2007. Cash receipts from customers for the year ended 30 June 2008 were lower than sales at US\$68.4million as a consequence of timing of invoice receipts. US\$28.7million was received in July 2008.

Gross Profit in 2008 of US\$35.5 million is higher than in 2007 as a consequence of a full year of operations at LHUP. In 2007 LHUP production costs were capitalised to 31 March 2007. The sale of 185,000lb of third party uranium did not impact gross profit as sales contract provisions were recognised at 30 June 2007 and 30 September 2007 for the loss on sale. A one-off sales contracts expense for 2008 of US\$2.9 million is recognised in the category of Other Expenses. Cost of sales includes a credit of US\$2.0 million for the period relating to recognition of a value for stockpile inventory as a consequence of improved plant performance from 30 June 2007.

Exploration and Evaluation Expenditure increased in 2008 to US\$13.1 million primarily as a result of expenditure on the Valhalla/Skal, Isa North, Bigrlyi, Langer Heinrich and Kayelekera Uranium Projects. Of this total, \$7.9 million was spent on the Valhalla/Skal joint venture project.

Other Expenses and Income increased in 2008 to US\$35.7 million as a result of higher corporate/marketing costs, share based payments, a one off sales contracts expense of US\$2.9 million recognised for third party uranium at 30 September 2007, and foreign exchange loss; despite lower employee benefits expenses. The higher costs relate to both the growth of the Paladin Consolidated Entity ("the Group") and the expanded corporate capability in the last year to facilitate future growth. The foreign exchange loss was mainly attributable to the translation of monetary assets and liabilities in Namibian dollars relating to the Langer Heinrich Uranium Project. Employee benefits expense for the 2007 period included a discretionary payment to a key management person relating to the 2004 to 2006 formative period of the Company.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
ON FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

Finance Costs of US\$30.7 million in 2008 relates to interest payable on the US\$250 million convertible bonds issued 15 December 2006, the US\$325 million convertible bonds issued 11 March 2008, and the Langer Heinrich project finance facilities. During the year ended 30 June 2007 finance costs for the Langer Heinrich Uranium Project were capitalised as part of the costs of construction and, as a consequence, finance costs only related to the US\$250 million convertible bonds.

Income Tax Benefit of US\$7.0 million relates to the recognition of additional Namibian deferred tax assets, the recognition of Malawian deferred tax assets, the reversal of deferred tax liabilities relating to the convertible bonds over the term of the respective bonds, and the reversal of deferred tax liabilities on sale of Non-Uranium Properties and Georgina Basin Project of Summit Resources Ltd.

Minority Interests credit of US\$1.2 million has been recorded in 2008 attributable to the 18.1% of Summit Resources Ltd not owned by the Group.

Despite the higher gross profit the loss after tax for the year ended 30 June 2008 of US\$36.0 million was approximately the same as the loss after tax for the year ended 30 June 2007 of US\$37.6 million; as a result of increased investment in exploration and evaluation expenditure, higher finance costs and other expenses.

Summary of Quarterly Financial Results

	2008 Total US\$m	2008 Jun Qtr US\$m	2008 Mar Qtr US\$m	2007 Dec Qtr US\$m	2007 Sep Qtr US\$m
Total revenues	101.9	38.9	15.3	19.4	28.3
Loss after tax	(36.0)	(1.9)	(8.4)	(11.2)	(14.5)
Basic and diluted loss per share	(0.06)	(0.01)	(0.01)	(0.02)	(0.02)

	2007 Total US\$m	2007 Jun Qtr US\$m	2007 Mar Qtr US\$m	2006 Dec Qtr US\$m	2006 Sep Qtr US\$m
Total revenues	11.2	6.7	3.1	0.9	0.5
Loss after tax	(37.6)	(17.4)	(11.4)	(4.9)	(3.9)
Basic and diluted loss per share	(0.07)	(0.03)	(0.02)	(0.01)	(0.01)

Total revenues have increased for each of the quarters in 2008 when compared to the equivalent period in 2007 as a result of the commencement of operations at the Langer Heinrich Uranium Project. In 2007 Langer Heinrich production costs were capitalised to 31 March 2007.

Loss after tax has decreased each quarter in 2008 as a consequence of the increase in gross profit due to the Langer Heinrich operations. The loss after tax for the September and December quarters of 2007 represents a substantial increase over the equivalent period in 2006 due to the increased investment in exploration and evaluation expenditure, higher other expenses and finance costs.

Loss Per Share

The *Loss per Share* noted on the Income Statements reflected the underlying result for the specific reported periods and the additional shares issued in 2008 compared to 2007.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
ON FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

Segment Disclosure

In the Namibian geographical segment the Group reflected a profit after tax of US\$11.0 million as a consequence of the increased sales volume for the year and an income tax benefit for the period. The Malawian geographical segment loss after tax of US\$0.5 million relates to costs of legal action commenced by a group of Malawian Civil Society Organisations which settled during the year, exploration and evaluation expenditure, corporate costs and an income tax benefit for the period. In the Australian geographical segment the Group reflected the remaining Income Statement activities.

BALANCE SHEETS	30 JUNE 2008	30 JUNE 2007
	US\$m	US\$m
Total current assets	447.9	233.4
Total non current assets	<u>2,115.2</u>	<u>1,825.0</u>
Total assets	<u>2,563.1</u>	<u>2,058.4</u>
Total current liabilities	54.1	29.0
Total non current liabilities	<u>1,079.7</u>	<u>721.1</u>
Total liabilities	<u>1,133.8</u>	<u>750.1</u>
Net Assets	<u>1,429.3</u>	<u>1,308.3</u>

Current Assets have increased to US\$447.9 million at 30 June 2008 attributable to an increase in cash, trade and other receivables and inventories.

Cash has increased to US\$337.6 million at 30 June 2008 as a result of the issue of US\$325 million in convertible bonds on 11 March 2008; cash was utilised during the year for the construction of the Kayelekera Uranium Project, exploration and evaluation project expenditure, additional Deep Yellow Ltd share investment, finance costs, and corporate costs for the year ended 30 June 2008.

Of the US\$337.6 million held in cash as at 30 June 2008, US\$249.7 million has been invested in short-term US\$ treasury bonds and the balance of cash is held with banks.

Trade and other receivables have increased to US\$40.0 million during the year ended 30 June 2008 mainly as a result of trade receivables relating to US\$28.7 million in uranium sales and the US\$3.0 million receivable from the sale of non-uranium properties and the Georgina Basin Project of Summit Resources Ltd.

Inventories have increased to US\$68.9 million at 30 June 2008. Inventories produced by the Langer Heinrich Uranium Project have increased by US\$23.8 million primarily as a result of both higher production levels despite the lower cost of production per lb due to the improved plant operating efficiencies and the recognition of a US\$8.6 million value for stockpiles in the nine months (resulting from both a US\$2.0 million credit to cost of sales and a US\$6.6 million reduction in property, plant and equipment assets). The US\$24.7 million of third party uranium purchased during the quarter ended 30 June 2007 and still on hand at 30 June 2007 was sold during the six months ended 31 December 2007. Paladin Nuclear Ltd, the Group's newly-established marketing entity, purchased uranium totalling US\$31.8 million in June 2008, which will be retained for future transactions by Paladin Nuclear Ltd in accordance with previously announced plans.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
ON FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008**

Non Current Assets have increased to US\$2,115.2 million at 30 June 2008 mainly attributable to mine construction at the Kayelekera Uranium Project and positive foreign exchange movement on the A\$ exploration assets. At 30 June 2008 the Group holds 159,058,461 shares and 12,500,000 options in Deep Yellow Ltd (14.34% interest) with a market value of US\$41.1 million. These options were exercised after year end at a price of 8.1 Australian cents to further increase the Group's stake in Deep Yellow Ltd.

The acquisition of Summit Resources Ltd on 27 April 2007 resulted in the recognition of an A\$1,689.1 million exploration and evaluation expenditure asset as part of the allocation of the consideration paid. During the year ended 30 June 2008 the allocation of the acquisition value to projects was completed and resulted in the following allocation: Valhalla/Skal Projects (50% share) A\$1,273.5 million, Isa North Project A\$405.9 million, Georgina Basin Project A\$1.3 million, Other Projects Non-Uranium A\$8.4 million. The allocation of this acquisition value in US\$ has increased from US\$1,433.4 million at 30 June 2007 to US\$1,613.0 million at 30 June 2008 mainly due to the foreign exchange translation of the A\$ asset, despite the sale of non-uranium properties and the Georgina Basin Project of Summit Resources Ltd. The foreign exchange translation movement is taken to the Foreign Currency Translation Reserve.

Current Liabilities have increased from US\$29.0 million to US\$54.1 million at 30 June 2008 as a result of construction activities for the Kayelekera Uranium Project, Langer Heinrich project finance facilities repayments, increased exploration and evaluation expenditure on the Valhalla/Skal, Isa North, Kayelekera and Langer Heinrich Uranium Projects; despite no sales contracts provision recognised at 30 June 2008.

Non Current Liabilities have increased from US\$721.1 million to US\$1,079.7 million at 30 June 2008 mainly attributable to the issue of US\$325 million convertible bonds on 11 March 2008, the recognition of a deferred tax liability on that issue, and an increase in existing deferred tax liabilities from a positive foreign exchange movement on A\$ liabilities.

On 11 March 2008, the Group issued US\$325 million in convertible bonds with an underlying coupon rate of 5.0%, maturity 11 March 2013 and a conversion price of US\$6.59. Under accounting standards these convertible bonds are treated as a liability (underlying bond) and an equity instrument (conversion rights into Paladin shares). On issue, US\$307.1 million was allocated to a non current liability (underlying effective interest rate of 7.13%) and US\$17.8 million to a non-distributable convertible bonds reserve. A deferred tax liability for the bonds of US\$5.4 million has been recognised through reserves. This is set out in further detail in Note 19 to the Financial Statements.

At 30 June 2008 the Langer Heinrich project finance facilities have been drawn down to US\$66.3 million following principal repayments of US\$4.6 million (current US\$12.2 million and non current US\$54.1 million) to fund construction, commissioning and ramp up activities, leaving available facilities of US\$Nil at 30 June 2008.

The deferred tax liability relating to the recognition of acquired exploration and evaluation expenditure from the allocation of consideration paid for Summit Resources Ltd has increased to US\$479.0 million due to the foreign exchange movement of the A\$ liability despite the sale of non-uranium properties and the Georgina Basin Project of Summit Resources Ltd.

Segment Disclosure

In the Balance Sheet at 30 June 2008 the Group reflected an increase in the Australian geographical segment assets and liabilities as a result of the foreign exchange movement on the A\$ exploration assets, increased cash as a result of the issue of US\$325 million in convertible bonds, foreign exchange movement on A\$ deferred tax liabilities and the additional convertible bond liability. For the Namibian geographical segment an increase occurred in assets and liabilities attributable to the operation, and exploration and evaluation activities for the Langer Heinrich Uranium Project. For the Malawi geographical segment an increase occurred in assets and liabilities as a result of mine construction, and exploration and evaluation activities for the Kayelekera Uranium Project.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
ON FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008**

STATEMENTS OF CHANGES IN EQUITY	YEAR ENDED 30 JUNE	
	2008 US\$m	2007 US\$m
Total equity at the beginning of the financial year	<u>1,308.3</u>	<u>91.0</u>
Loss for the year ended 30 June, after minority interests	(36.0)	(37.6)
Movement in reserves, net of foreign currency	(10.7)	70.9
Movement in equity, net of foreign currency	13.1	959.2
Foreign currency translation	155.8	40.1
Minority interests, net of foreign currency	<u>(1.2)</u>	<u>184.7</u>
Total Equity at the End of the Financial Year	<u>1,429.3</u>	<u>1,308.3</u>

Loss for the Year Ended 30 June 2008 is discussed under the Income Statements' section and is a slight decrease from the loss in the comparative period.

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

Movement in Other Reserves in 2008 of a US\$10.7 million decrease relates to the revaluation decrement attributable to the decrease in Deep Yellow Ltd share price from the prior period (net of tax and foreign exchange movements) which more than offset the recognised value of unlisted employee options and the creation of the non-distributable reserve of US\$17.8 million from the issue of US\$325 million of convertible bonds on 11 March 2008. Unlisted employee options exercised during the year amounted to 11,060,000 with exercise prices ranging from A\$1.00 to A\$2.80. 11,291,620 employee options were granted and 833,218 were cancelled during the year with exercise prices ranging from A\$4.50 to A\$5.37 per share.

Movement in Equity in 2008 of a US\$13.1 million increase relates to the exercise of unlisted employee options. The number of fully paid ordinary shares on issue at 30 June 2008 is 613,497,369, an increase of 11,060,000 during the period.

Share options of 19,077,072 remain outstanding at 30 June 2008 to the employees, and consultants directly engaged in corporate, mine construction, operations, exploration and evaluation work.

Minority Interests recognised during the year relate to the 18.1% interest in Summit Resources Ltd not owned. The Development Agreement for the Kayelekera Uranium Project signed on 23 February 2007 entitles the Government of Malawi to a 15% equity interest in Paladin (Africa) Ltd, the owner of the project, in exchange for reductions of 2.5% in corporate tax, nil rent resource tax payable and royalty offsets. No minority interests have been reflected for this as at 30 June 2008 as Paladin (Africa) Ltd is in a net liability position as a consequence of the Group's policy to previously expense exploration and evaluation expenditure prior to the decision made to proceed to development.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
ON FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008**

CASH FLOW STATEMENTS	YEAR ENDED 30 JUNE	
	2008 US\$m	2007 US\$m
Net cash outflow from operating activities	(18.4)	(38.6)
Net cash outflow from investing activities	(150.9)	(122.0)
Net cash inflow from financing activities	<u>324.0</u>	<u>298.7</u>
Net increase in cash held	154.7	138.1
Cash at the beginning of financial year	182.8	43.6
Effects of exchange rate changes	<u>0.1</u>	<u>1.1</u>
Cash at the End of the Financial Year	<u>337.6</u>	<u>182.8</u>

Net Cash Outflow from Operating Activities was US\$18.4 million in 2008 primarily due to uranium sales receipts of US\$68.4 million being more than offset by payments to suppliers and employees of US\$77.1 million relating to the mine operations at the Langer Heinrich Uranium Project, the growth of the Group and expanded corporate capability, interest payments on project finance facilities and a US\$5.6 million bi-annual interest payment on the US\$250 million convertible bonds maturing 15 December 2011.

Net Cash Outflow from Investing Activities was US\$150.9 million in 2008 as a result of mine construction at the Kayelekera Uranium Project, exploration and evaluation project expenditure, the acquisition of additional investments in Deep Yellow Ltd and the third party uranium purchases; despite receipts of US\$4.0 million from the sale of non-uranium properties and Georgina Basin Project of Summit Resources Ltd and insurance claims at the Langer Heinrich Uranium Project.

Net Cash Inflow from Financing Activities of US\$324.0 million in 2008 is attributable to US\$4.3 million drawn under the project finance facilities for the Langer Heinrich Uranium Project, proceeds from the exercise of 11,060,000 unlisted employee options and the issue of US\$325 million in convertible bonds; despite US\$11.2 million in establishment costs for the convertible bonds and Kayelekera Uranium Project finance facilities and the repayment of US\$4.6 million of the project finance facilities for the Langer Heinrich Project. The inflow was higher than in 2007 due to the increased proceeds received from convertible bonds in 2008 (US\$325 million) compared to the convertible bonds issued in 2007 (US\$250 million).

Net Increase in Cash in 2008 was US\$154.7 million, an increase over the previous corresponding period in 2007 of US\$138.1 million as a result of the higher proceeds from the issue of convertible bonds, despite increased cash outflows from operating and investing activities.

Effects of Exchange Rate Changes are a gain of US\$0.1 million for 2008 against a US\$1.1 million gain for 2007, due to exchange rate fluctuations.

The *Cash* at 30 June 2008 of US\$337.6 million represents a significant increase in cash to the comparative period of 2007.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
ON FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008**

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal source of liquidity as at 30 June 2008 is cash of US\$337.6 million (30 June 2007 – US\$182.8 million). Of this amount US\$249.7 million has been invested in short-term US\$ treasury bonds and the balance of cash held with banks.

The Group's principal sources of cash for the year ended 30 June 2008 were proceeds from the issue of US\$325 million in convertible bonds, uranium sales receipts, project finance facilities drawdowns, interest received from cash investments, proceeds from exercise of unlisted employee options, and sale of non-uranium properties and the Georgina Basin Project of Summit Resources Ltd.

The Group has in place Langer Heinrich project finance facilities of US\$66.3 million following principal repayments of US\$4.6 million, leaving available facilities to draw down of US\$Nil.

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

The following is a summary of the Group's outstanding commitments as at 30 June 2008:

<i>Payments due by period</i>	<i>Total US\$m</i>	<i>Less than 1 yr US\$m</i>	<i>1 to 5yrs US\$m</i>	<i>Unknown US\$m</i>
Tenements	2.6	2.6	-	-
Mine construction	61.0	61.0	-	-
Operating leases	6.4	0.4	3.3	2.7
Manyingee acquisition costs	0.7	-	-	0.7
<i>Total commitments</i>	70.7	64.0	3.3	3.4

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A\$0.75 million (US\$0.7 million) by the Group to the vendors when all project development approvals are obtained.

In addition to the outstanding commitments above, the Group acquired a call option on 19 June 1998 in relation to the purchase of the Oobagooma Uranium Project and, in turn, granted a put option to the original holder of the Project. Both the call and put options have an exercise price of A\$0.75 million (US\$0.7 million) and are subject to the Western Australian Department of Minerals & Energy granting tenements comprising 2 exploration licence applications. The A\$0.75 million (US\$0.7 million) is payable by the Group within 10 business days of the later of the grant of the tenements or the exercise of either the call or put option. The options will expire 3 months after the date the tenements are granted.

The Group has no other off balance sheet arrangements.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
ON FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008**

OUTSTANDING SHARE INFORMATION

As at 15 August 2008 Paladin had 613,897,369 fully paid ordinary shares issued and outstanding. The following table sets out the fully paid ordinary outstanding shares and those issuable under the Company Executive Share Option Plan and in relation to the Convertible Bonds:

<u>As at 15 August 2008</u>	<u>Number</u>
Outstanding shares	613,897,369
Issuable under Executive Share Option Plan	18,334,740
Issuable in relation to the US\$250 million Convertible Bonds	32,530,904
Issuable in relation to the US\$325 million Convertible Bonds	49,317,147
Total	<u>714,080,160</u>

CRITICAL ACCOUNTING ESTIMATES

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

FINANCIAL INSTRUMENTS

At 30 June 2008 the Group has exposure to interest rate risk which is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate project finance debt or opportunity losses that may arise on fixed rate convertible bonds in a falling interest rate environment. Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

The Group's main foreign currency translation risk is for monetary assets and liabilities of the Namibian and Malawian operations. These are deemed to have a functional currency of United States dollars, and the Group has adopted a presentation currency of United States dollars therefore eliminating any foreign currency translation risk for non-monetary assets and liabilities. The Group also has significant foreign currency translation risk for non-monetary assets and liabilities of the Australian exploration and evaluation operations as these are deemed to have a functional currency of Australian dollars, and the Group has adopted a presentation currency of United States dollars. The Group has no significant monetary foreign currency assets and liabilities apart from Namibian dollar cash, receivables, payables and provisions and Australian dollar cash, payables and deferred tax liabilities.

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

TRANSACTIONS WITH RELATED PARTIES

During the year ended 30 June 2008 no payments were made to Director related entities. Directors of the Group receive standard personal based compensation.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
ON FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008**

DISCLOSURE CONTROLS

The Group has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Statements for the year ended 30 June 2008 and associated Management Discussion and Analysis. An evaluation of the Group's disclosure controls and procedures used has been undertaken and concluded that the disclosure controls and procedures were effective.

INTERNAL CONTROLS

The Group has designed appropriate internal controls over financial reporting (ICFR) and ensured that these were in place for the year ended 30 June 2008. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Group's Consolidated Financial Statements as at 30 June 2008.

During the year the Group continued to have an internal audit function externally contracted to Deloitte Touche Tohmatsu. Internal audit reports and follow up reviews were completed during the year and the Group continues to address their recommendations.

The resultant changes to ICFR have improved and will continue to improve the Group's framework of internal control in relation to financial reporting.

SUBSEQUENT EVENTS

Since the end of the financial year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the Financial Statements, that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2008 Financial Report:

Allotment of Shares and Issue of Employee Options

On 3 July the Group announced the granting of 450,000 unlisted incentive options, exercisable at A\$5.27 vesting after 3 years, subject to performance conditions as outlined in the Executive Share Option Plan, with a 5 year expiry and the allotment of 400,000 fully paid ordinary shares resulting from the exercise of employee options.

Appointment of Mr Ross Glossop

On 10 July 2008, the Group announced the appointment of Mr Ross Glossop as Chief Financial Officer (CFO) of the Group. Mr Glossop has over 25 years of experience in the resources industry, where he has held positions in internal audit, treasury, and finance with increasing managerial responsibilities.

Increased Holding in Deep Yellow Ltd

On 28 July 2008, the Group acquired an additional 12,500,000 shares in Deep Yellow Ltd pursuant to the exercise of 12,500,000 options exercisable at 8.1 Australian cents. The additional investment totalled A\$1.0 million (US\$1.0 million). After this acquisition the Group now holds 15.30% of Deep Yellow Ltd.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
FINANCIAL REPORT (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

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PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	CONSOLIDATED		PARENT ENTITY	
		2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Revenue from continuing operations					
Revenue	4(a)	101.9	11.2	11.2	10.8
Cost of sales	4(c)	(66.4)	(12.0)	-	-
Gross profit/(loss)		<u>35.5</u>	<u>(0.8)</u>	<u>11.2</u>	<u>10.8</u>
Other income	4(b)	-	0.1	-	0.1
Exploration and evaluation expenses	15	(13.1)	(7.4)	-	-
Other expenses	4(e)	(35.7)	(28.6)	(28.5)	(28.0)
Finance costs	4(d)	(30.7)	(13.0)	(27.1)	(11.1)
Share of loss of an associate	11(b)	(0.2)	-	-	-
Loss before income tax benefit		<u>(44.2)</u>	<u>(49.7)</u>	<u>(44.4)</u>	<u>(28.2)</u>
Income tax benefit	5	<u>7.0</u>	<u>11.7</u>	<u>2.6</u>	<u>1.2</u>
Loss after tax from continuing operations		<u>(37.2)</u>	<u>(38.0)</u>	<u>(41.8)</u>	<u>(27.0)</u>
Minority interests	22	<u>1.2</u>	<u>0.4</u>	<u>-</u>	<u>-</u>
Loss after tax from continuing operations attributable to the ordinary equity holders of the Company		<u>(36.0)</u>	<u>(37.6)</u>	<u>(41.8)</u>	<u>(27.0)</u>
Earnings per share		US\$	US\$		
Loss from continuing operations attributable to ordinary equity holders					
– basic and diluted	34	(0.06)	(0.07)		

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

AS AT 30 JUNE 2008

		CONSOLIDATED		PARENT ENTITY	
	Notes	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
ASSETS					
Current assets					
Cash and cash equivalents	6	337.6	182.8	317.4	169.7
Trade and other receivables	7	40.0	12.6	9.4	4.2
Inventories	8	68.9	38.0	-	-
Financial assets held for trading	9	1.4	-	-	-
TOTAL CURRENT ASSETS		447.9	233.4	326.8	173.9
Non current assets					
Trade and other receivables	7	-	-	218.6	81.3
Other financial assets	10	41.7	60.3	1,019.7	1,027.3
Investment in associate	11	2.6	-	-	-
Deferred borrowing costs	12	1.7	0.2	-	-
Property, plant and equipment	13	229.5	133.1	17.8	17.3
Mine development	14	12.2	2.0	-	-
Exploration and evaluation expenditure	15	1,797.9	1,601.4	-	-
Deferred tax asset	5	13.0	10.4	-	-
Intangible assets	16	16.6	17.6	-	-
TOTAL NON CURRENT ASSETS		2,115.2	1,825.0	1,256.1	1,125.9
TOTAL ASSETS		2,563.1	2,058.4	1,582.9	1,299.8
LIABILITIES					
Current liabilities					
Trade and other payables	17	41.4	13.8	7.5	2.8
Unearned revenue	18	0.2	0.2	-	-
Interest bearing loans and borrowings	19	11.0	4.4	-	-
Provisions	20	1.5	10.6	1.0	0.5
TOTAL CURRENT LIABILITIES		54.1	29.0	8.5	3.3
Non current liabilities					
Trade and other payables	17	-	-	1.0	2.7
Unearned revenue	18	0.5	0.6	-	-
Interest bearing loans and borrowings	19	571.5	269.2	517.4	209.2
Deferred tax liabilities	5	499.3	448.2	10.8	16.1
Provisions	20	8.4	3.1	0.1	-
TOTAL NON CURRENT LIABILITIES		1,079.7	721.1	529.3	228.0
TOTAL LIABILITIES		1,133.8	750.1	537.8	231.3
NET ASSETS		1,429.3	1,308.3	1,045.1	1,068.5
Equity					
Contributed equity	21(a)	1,088.4	1,075.3	1,088.4	1,075.3
Reserves	21(d)	234.1	113.2	56.3	51.0
Accumulated losses		(101.0)	(65.0)	(99.6)	(57.8)
Parent interests		1,221.5	1,123.5	1,045.1	1,068.5
Minority interests	22	207.8	184.8	-	-
TOTAL EQUITY		1,429.3	1,308.3	1,045.1	1,068.5

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Contributed Equity US\$m	Reserves US\$m	Accumulated Losses US\$m	Minority Interests US\$m	Total US\$m
CONSOLIDATED						
At 1 July 2006		112.3	5.1	(26.4)	-	91.0
Changes in fair value of available-for-sale financial assets		-	37.5	-	-	37.5
Loss for the year ended		-	-	(37.6)	(0.4)	(38.0)
Recognised value of unlisted employee options over vesting period		-	6.2	-	-	6.2
Exercise of unlisted employee options	21(b)	1.8	(1.8)	-	-	-
Contributions of equity, net of transactions costs	21(b)	957.4	-	-	-	957.4
Convertible bonds - equity component		-	37.8	-	-	37.8
Foreign currency translation		-	33.5	-	0.1	33.6
Functional currency transition adjustment		3.8	3.7	(1.0)	-	6.5
Income tax on items taken directly to equity		-	(23.7)	-	-	(23.7)
Acquisition of Summit Resources Ltd		-	14.9	-	-	14.9
Recognition of minority interests on acquisition of Summit Resources Ltd		-	-	-	185.1	185.1
At 30 June 2007		1,075.3	113.2	(65.0)	184.8	1,308.3
CONSOLIDATED						
At 1 July 2007		1,075.3	113.2	(65.0)	184.8	1,308.3
Changes in fair value of available-for-sale financial assets		-	(44.6)	-	-	(44.6)
Loss for the year ended		-	-	(36.0)	(1.2)	(37.2)
Recognised value of unlisted employee options over vesting period		-	10.6	-	-	10.6
Exercise of unlisted employee options	21(b)	2.6	(2.6)	-	-	-
Contributions of equity, net of transactions costs	21(b)	10.5	-	-	-	10.5
Convertible bonds - equity component		-	17.8	-	-	17.8
Foreign currency translation		-	131.6	-	24.2	155.8
Income tax on items taken directly to equity		-	8.1	-	-	8.1
At 30 June 2008		1,088.4	234.1	(101.0)	207.8	1,429.3

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
PARENT ENTITY STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Contributed Equity US\$m	Reserves US\$m	Accumulated Losses US\$m	Total US\$m
PARENT ENTITY					
At 1 July 2006		112.3	2.0	(29.9)	84.4
Change in fair value of available-for-sale financial assets		-	18.6	-	18.6
Loss for the year ended		-	-	(27.0)	(27.0)
Recognised value of unlisted employee options over vesting period		-	6.2	-	6.2
Exercise of unlisted employee options	21(b)	1.8	(1.8)	-	-
Contributions of equity, net of transactions costs	21(b)	957.4	-	-	957.4
Convertible bonds - equity component		-	37.8	-	37.8
Foreign currency translation		-	2.0	-	2.0
Functional currency transition adjustment		3.8	3.1	(0.9)	6.0
Income tax on items taken directly to equity		-	(16.9)	-	(16.9)
At 30 June 2007		1,075.3	51.0	(57.8)	1,068.5
PARENT ENTITY					
At 1 July 2007		1,075.3	51.0	(57.8)	1,068.5
Change in fair value of available-for-sale financial assets		-	(28.4)	-	(28.4)
Loss for the year ended		-	-	(41.8)	(41.8)
Recognised value of unlisted employee options over vesting period		-	10.6 ⁽¹⁾	-	10.6
Exercise of unlisted employee options	21(b)	2.6	(2.6)	-	-
Contributions of equity, net of transactions costs	21(b)	10.5	-	-	10.5
Convertible bonds - equity component		-	17.8	-	17.8
Foreign currency translation		-	4.7	-	4.7
Income tax on items taken directly to equity		-	3.2	-	3.2
At 30 June 2008		1,088.4	56.3	(99.6)	1,045.1

⁽¹⁾ Recognised value of unlisted employee options over vesting period is larger than the share-based payments expense disclosed in Note 4(e) due to US\$1.8 million expense allocated to the subsidiaries.

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	CONSOLIDATED 2008 US\$m	2007 US\$m	PARENT ENTITY 2008 US\$m	2007 US\$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		68.4	-	-	-
Payments to suppliers and employees		(77.1)	(38.2)	(17.2)	(11.4)
Interest received		7.5	6.8	6.5	6.3
Interest received from controlled entities		-	-	3.2	3.6
Interest paid		(17.4)	(7.2)	(11.3)	(5.6)
Other income		0.2	-	-	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	6(a)	(18.4)	(38.6)	(18.8)	(7.1)
CASH FLOWS FROM INVESTING ACTIVITIES					
Exploration and evaluation expenditure		(11.7)	(8.6)	-	-
Payments for property, plant and equipment		(99.6)	(88.9)	(1.1)	(18.7)
Loans to controlled entities		-	-	(154.3)	(56.7)
Loans from controlled entities		-	-	12.3	2.6
Payments for available-for-sale financial assets		(17.8)	(13.2)	(15.7)	(12.3)
Payments for controlled entities net of cash acquired	10(a)	-	21.3	-	(5.5)
Proceeds on sale of property, plant & equipment		1.9	0.2	-	-
Proceeds on sale of tenements		2.1	-	-	-
Proceeds from sale of available-for-sale investments		-	0.6	-	0.6
Payments for third party uranium		(25.8)	(33.4)	-	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(150.9)	(122.0)	(158.8)	(90.0)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from exercise of share options		10.5	7.4	10.5	7.4
Equity fundraising costs		-	(0.3)	-	(0.3)
Convertible bonds and project finance facility establishment costs		(11.2)	(8.0)	(9.7)	(7.9)
Repayment of borrowings		(4.6)	-	-	-
Proceeds from borrowings		4.3	49.6	-	-
Proceeds from convertible bonds		325.0	250.0	325.0	250.0
NET CASH INFLOW FROM FINANCING ACTIVITIES		324.0	298.7	325.8	249.2
NET INFLOW IN CASH AND CASH EQUIVALENTS		154.7	138.1	148.2	152.1
Cash and cash equivalents at the beginning of the financial year		182.8	43.6	169.7	16.6
Effects of exchange rate changes on cash and cash equivalents		0.1	1.1	(0.5)	1.0
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	6	337.6	182.8	317.4	169.7

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1. CORPORATE INFORMATION

The financial report of Paladin Energy Ltd for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 22 August 2008.

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

The nature of the operations and principal activities of the Group are described in Management Discussion and Analysis on pages 3 to 11.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which complies with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report complies with International Financial Reporting Standards. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments and financial assets held for trading, which have been measured at fair value.

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the year ended 30 June 2008 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

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

(b) Statement of compliance

The following Australian Accounting Standards that have recently been issued or amended but are not yet effective, have not been applied by Paladin Energy Ltd:

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 Service Concession Arrangements.	1 January 2008	As the Group currently has no service concession arrangements or public-private-partnerships (PPP), it is expected that this Interpretation will have no impact on its financial report.	1 July 2008
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 Operating Segments.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's Financial Statements. However, the new standard may have an impact on the segment disclosures included in the Group's financial report.	1 July 2009
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of AASB 123 (revised) Borrowing Costs.	1 January 2009	The Group does currently construct qualifying assets which are financed by borrowings, however, the revised standard will have no impact as it is consistent with the current group policy.	1 July 2009

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101	Amending standard issued as a consequence of revisions to AASB 101 Presentation of Financial Statements	1 January 2009	The amendments are expected to only affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts under the current AASB 101. The Group has not determined at this stage whether to present the new statement of comprehensive income as a single or two statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standards - Share-based Payments: Vesting Conditions and Cancellations [AASB 2]	The amendments to AASB 2 requires instances where a failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty to be accounted for as a cancellation	1 January 2009	The Group Share Option Plan does not include any vesting conditions that are within the control of either the entity or the counterparty, and as such, is not expected to impact the Group's financial report.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 and Interpretation 2]	The amending standard introduces an exception to the definition of financial liability to classify as equity instruments certain puttable financial instruments that impose on an entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation of the entity.	1 January 2009	The Group does not engage in puttable financial instruments and as such, is not expected to impact the Group's financial report	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards Arising from AASB 3 and AASB127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 129, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]	Amending standard issued as a consequence of AASB 3 revisions to Business Combinations and AASB 127 Consolidated and Separate Financial Statements.	1 July 2009	The Group will assess the impact this may have on future financial report.	1 July 2009
AASB 3 (revised)	Business Combinations	The revised standard introduces a number of changes in accounting for business combinations that will impact the amount of goodwill recognised, the results in the period that an acquisition occurs, and future revenues reported	1 July 2009	Refer to AASB 2008-3 above	1 July 2009

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB 8	Operating Segments	This new standard will replace AASB 114 Segment Reporting and adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 July 2009
AASB 101 (revised)	Presentation of Financial Statements	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the Financial Statements, changes in the presentation requirements for dividends and changes to the titles of the Financial Statements.	1 January 2009	Refer to AASB 2007-8 above	1 July 2009
AASB 123 (revised)	Borrowing Costs	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	Refer to AASB 2007-6 above.	1 July 2009
AASB 127 (revised)	Consolidated and Separate Financial Statements	The revised standard allows a change in the ownership interest of a subsidiary (that does not result in loss of control) to be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss.	1 July 2009	Refer to AASB 2008-3 above	1 July 2009
AASB Interpretation 4 (revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB 2007-2 above	1 July 2008
AASB Interpretation 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report	1 July 2008

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB Interpretation 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 January 2008	Refer to AAASB 2007-2 above	1 July 2008
Amendments to International Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from Subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate Financial Statements (i.e., parent company accounts). The distinction between pre- and post- acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been Amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries jointly controlled Financial entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a carry-over basis' rather than at fair value.	1 July 2009
Amendments to International Financial Reporting Standards	Improvement to IFRSs	The improvement project is an annual project that provides a mechanism for making non - urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments in two parts: Part 1 deals with the changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amend-ments to IFRS 5, which are effective from July 1 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
IFRIC 15***	Agreements for the Construction of Real Estate	This interpretation proposes that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.	1 January 2009	The Group does not enter into agreements to provide construction services to the buyer's specifications and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2009
IFRIC 16***	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 January 2009	The Group does not engage in hedging net investments in foreign operations and as such, is not expected to impact the Group's financial report.	1 July 2009

* designates the beginning of the applicable annual reporting period

**only applicable to not-for profit / public sector entities

*** pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The Consolidated Financial Statements incorporate the assets and liabilities of all subsidiaries of Paladin Energy Ltd (Company or Parent Entity) as at 30 June 2008 and the results of all subsidiaries for the twelve months then ended. Paladin Energy Ltd and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 2(j)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Net realisable value of inventories

The Group reviews the carrying value of inventories regularly to ensure that their cost does not exceed net realisable value. In determining net realisable value various factors are taken into account including sales prices and costs to complete inventories to their final form.

(ii) Impairment of property, plant and equipment; and intangibles

The Group determines whether property, plant and equipment; and intangibles are impaired at least on a quarterly basis. This requires an estimation of the recoverable amount of cash-generating units to which the property, plant and equipment; and intangibles are allocated.

(iii) Available-for-sale financial assets and financial assets held for trading

The Group measures the fair value of available-for-sale financial assets by reference to the fair value of the equity instruments at the date at which they are valued. The fair value of the unlisted securities is determined using valuation techniques. Such techniques include using recent arm's length market transactions, net asset values and by an external valuer using a binomial model.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(iv) Carrying value of exploration and evaluation expenditure

The Group reviews the carrying value of exploration and evaluation expenditure at least on a quarterly basis. This requires judgement as to the status of the individual projects and their future economic value.

(v) Deferred tax assets and liabilities

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining deferred tax assets and liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

(vi) Mine closure provision

The value of this provision represents the discounted value of the present obligation to restore, dismantle and close the mine. The discounted value reflects a combination of management's assessment of the cost of performing the work required, the timing of the cash flows and the discount rate. A change in any, or a combination, of the three key assumptions used to determine the provision could have a material impact to the carrying value of the provision.

(vii) Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model using assumptions detailed in Note 29.

(viii) Proved and probable reserves

The Group uses the concept of a life of mine as an accounting value to determine such things as depreciation rates and the appropriate period to discount mine closure provisions. In determining life of mine the proved and probable reserves measured in accordance with the 2004 edition of the Joint Ore Reserves Committee (JORC) Code specific to a mine are taken into account which by their very nature require judgements, estimates and assumptions.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Segment reporting

A geographical segment is a group of assets and operations engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in United States dollars (US dollars), which is the Company's functional and presentation currency from 1 December 2006. Prior to this date the functional and presentation currency for was Australian dollars. In December 2006 there were several factors which produced a change in functional currency for the majority of the Group to US dollars. These included completion of construction and commissioning at the Langer Heinrich Uranium Project, issue of US\$250 million convertible bonds, conversion of excess group cash into US dollars resulting in derivation of US interest revenue, and redesignation of all intercompany group loans into US dollars. The presentation currency for a company is the currency in which the company chooses to present its financial reports. As the functional currency of the Company and the majority of the Group changed on 1 December 2006 to US dollars, the Company has decided to change the presentation currency for financial reporting to US dollars in order to better reflect the Group's financial position and financial performance.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Translation differences on available-for-sale financial assets are included in the available-for-sale reserve.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Foreign currency translation (continued)

(iii) Group companies

Some Group entities have a functional currency of United States dollars which is consistent with the presentation currency of this financial report. For all other group entities the functional currency has been translated into US dollars for presentation purposes. Assets and liabilities are translated using exchange rates prevailing at the balance sheet date; revenues and expenses are translated using average exchange rates prevailing for the income statement year; and equity transactions are translated at exchange rates prevailing at the dates of transactions. The resulting difference from translation is recognised in a foreign currency translation reserve.

The following material operating subsidiaries have a US dollar functional currency:

- Paladin Finance Pty Ltd
- Paladin (Africa) Ltd
- Langer Heinrich Uranium (Pty) Ltd
- Paladin Nuclear Ltd

The following material operating subsidiaries have a Australian dollar functional currency:

- Northern Territory Uranium Pty Ltd
- Mt Isa Uranium Pty Ltd
- Paladin Energy Minerals NL
- Summit Resources (Aust) Pty Ltd

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Sale of uranium

Revenue from sale of uranium is recognised when title of the product passes from the Consolidated Entity pursuant to an enforceable contract, when selling prices are known or can be reasonably estimated and when the product is in a form that requires no further treatment by the Consolidated Entity.

(ii) Interest revenue

Interest revenue from investments in cash and US Treasury Bonds is recognised in the Income Statement as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Database licence revenue

Licence revenue generated from granting third parties access to proprietary database information on mineral property regions is recognised in the Income Statement on a straight line basis over the licence term.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

Paladin Energy Ltd and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian tax law. The head entity, Paladin Energy Ltd and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. In addition to its own current and deferred tax amounts, Paladin Energy Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the lease incentive liability on a straight line basis over the period of the lease.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(k) Impairment of assets

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

(l) Cash and cash equivalents

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

(m) Trade and other receivables

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

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Inventories

Consumable stores inventory are valued at the lower of cost and net realisable value using the average cost method, after appropriate allowances for redundant and slow moving items.

Finished goods and work in progress inventory are valued at the lower of cost and net realisable value using the average cost method. Cost is derived on an absorption costing basis including both fixed and variable production costs and attributable overheads incurred up to the delivery point where legal title to the product passes. No accounting value is attributed to ore in situ or stockpiles containing ore at less than the cut-off grade.

Any inventory produced during the pre-production phase is recognised at net realisable value and deducted from capitalised development costs.

The costs of production include labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore (including any recognised expense of stripping costs); the depreciation of property, plant and equipment used in the extraction and processing of ore; and production overheads.

(o) Investments and other financial assets

The Group classifies its investments in the following categories: loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial assets held for trading. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in receivables in the Balance Sheet. Loans and receivables are carried at amortised cost using the effective interest method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Investments and other financial assets (continued)

(iii) Available-for-sale financial assets (continued)

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and loss which arise from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

(iv) Financial Assets Held for Trading

Financial assets are classified as held for trading if they are derivative instruments or acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the Income Statement.

Fair value of Financial Instruments

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Impairment of Financial Instruments

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the Income Statement.

(p) Interests in jointly controlled assets

The Group has interests in joint ventures that are jointly controlled assets. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled asset involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in jointly controlled assets by recognising its interest in the assets and the liabilities of the joint venture. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by jointly controlled assets.

(q) Fair value estimation

The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Estimated discounted cash flows are used to determine the fair value of most financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Property, plant and equipment costs include both the costs associated with construction of equipment associated with establishment of an operating mine, and the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost amount, net of their residual values, over their estimated useful lives, as follows:

- Buildings	20 years
- Databases	10 years
- Plant and equipment	3-6 years
- Leasehold improvements	2-5 years
- Mine plant and equipment	lesser of life of mine and life of asset

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

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

(s) Mine development

Pre-production costs are deferred as development costs until such time as the asset is able to be used as intended by management. Post-production costs are recognised as a cost of production.

Overburden cost is capitalised and depreciated over the expected useful life of the relevant pit. Stripping costs are recognised as a production cost as incurred.

(t) Exploration and evaluation expenditure

Exploration and evaluation expenditure is charged against earnings as incurred.

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

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Exploration and evaluation expenditure (continued)

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

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

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

(u) Intangibles

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

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

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

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

Right to use water and power supply

Useful lives

Finite

Amortisation method used

Amortised over the life of the mine on a straight-line basis

Impairment testing

Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Intangibles (continued)

The rights to use water and power supply have been granted for a minimum of 17 years by the relevant utilities with the option of renewal without significant cost at the end of this period.

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

(v) Trade and other payables

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

(w) Interest bearing loans and borrowings

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

The component of convertible bonds that exhibits characteristics of a borrowing is recognised as a liability in the balance sheet, net of transaction costs. On issue of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to a convertible bond reserve that is recognised and included in shareholders' equity. The carrying amount of the reserve is not remeasured in subsequent years.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(x) Borrowing costs

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(y) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Employee benefits (continued)

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits were provided to employees via the Paladin Energy Ltd Employee Share Incentive Option Plan (ESOP). Following the implementation of the Paladin Energy Ltd Executive Share option Plan (EXSOP) detailed in Note 29, no further options will be issued pursuant to the ESOP.

The fair value of options granted under both the ESOP after 7 November 2002 and the EXSOP are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using the Cox, Ross and Rubinstein Binomial Tree option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The Monte Carlo method is used to model the future value of the Company's shares and the movement of the comparator companies' Total Shareholder Return on the various vesting dates associated with vesting requirements of the options.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(z) Mine closure and rehabilitation

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

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Mine closure and rehabilitation (continued)

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

(aa) Onerous contracts

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

(ab) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(ac) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(ad) Investments in associates

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

The Group generally deems they have significant influence if they have over 20% of the voting rights. Under the equity method, investments in the associates are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Income Statement and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's Income Statement, while in the Consolidated Financial Statements they reduce the carrying amount of the investment.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ad) Investments in associates (continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments shall be made to conform the associate's accounting policies to those of the Group.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 3. SEGMENT INFORMATION

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

Geographical segments - primary reporting

The Company operates in Australia, Namibia and Malawi. The principal activity in these locations is the exploration, evaluation, development, construction and operation of uranium projects.

The Group's geographical segments are determined based on the location of the Group's assets.

The following tables present revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2008 and 30 June 2007.

Year Ended 30 June 2008	Australia US\$m	Namibia US\$m	Malawi US\$m	Consolidated US\$m
Sales to external customers	-	93.8	-	93.8
Other revenue	7.7	0.4	-	8.1
Total segment revenue	7.7	94.2	-	101.9
(Loss)/Profit from continuing operations before income tax benefit	(52.1)	9.8	(1.9)	(44.2)
Income tax benefit	4.4	1.2	1.4	7.0
(Loss)/Profit from continuing operations after income tax benefit/segment result	(47.7)	11.0	(0.5)	(37.2)
Total assets/segment assets	2,232.0	220.7	110.4	2,563.1
Segment liabilities	1,106.2	12.0	15.6	1,133.8
Acquisitions of non current assets	21.0	14.0	94.4	129.4
Cash flow information				
Net cash (outflow)/inflow from operating activities	(29.8)	12.3	(0.9)	(18.4)
Net cash outflow from investing activities	(56.8)	(13.5)	(80.6)	(150.9)
Net cash inflow/(outflow) from financing activities	325.4	-	(1.4)	324.0
Non cash expenses:				
Depreciation and amortisation	0.7	10.0	0.2	10.9
Inventory impairment reversal	-	(2.0)	-	(2.0)
Sales contract impairment provision	-	2.9	-	2.9
Share based payments	8.9	1.2	0.5	10.6
Finance costs	11.8	0.5	-	12.3

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 3. SEGMENT INFORMATION (continued)

Year Ended 30 June 2007	Australia US\$m	Namibia US\$m	Malawi US\$m	Consolidated US\$m
Sales to external customers	-	3.3	-	3.3
Other revenue	7.8	0.1	-	7.9
Total segment revenue	7.8	3.4	-	11.2
Loss from continuing operations before income tax benefit	(23.7)	(21.8)	(4.2)	(49.7)
Income tax benefit	1.3	10.4	-	11.7
Loss from continuing operations after income tax benefit/segment result	(22.4)	(11.1)	(4.2)	(38.0)
Total assets/segment assets	1,882.3	163.0	13.1	2,058.4
Segment liabilities	732.3	16.3	1.5	750.1
Acquisitions of non current assets	1,434.9	64.0	8.2	1,507.1
Cash flow information				
Net cash outflow from operating activities	(25.7)	(12.9)	-	(38.6)
Net cash outflow from investing activities	(45.7)	(64.9)	(11.4)	(122.0)
Net cash inflow/(outflow) from financing activities	298.9	-	(0.2)	298.7
Non cash expenses:				
Depreciation and amortisation	0.3	1.8	-	2.1
Inventory impairment losses	-	3.3	-	3.3
Sales contract impairment provision	-	7.8	-	7.8
Share based payments	6.2	-	-	6.2
Finance costs	5.2	0.1	-	5.3

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 4. REVENUES AND EXPENSES

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
(a) Revenue				
Sale of uranium ⁽¹⁾	93.8	3.3	-	-
Interest income from non-related parties	6.9	7.6	5.8	7.1
Interest income from wholly owned Group	-	-	3.3	3.6
Database licence revenue	0.2	0.2	-	-
Other revenue	1.0	0.1	2.1	0.1
	<u>101.9</u>	<u>11.2</u>	<u>11.2</u>	<u>10.8</u>

⁽¹⁾ Includes US\$14.0 million (2007: US\$3.3 million) relating to uranium sales of 185,000lb (2007 65,000lb) which were met by use of third party uranium purchased during the quarter ended 30 June 2007.

(b) Other income

Net gain on disposal of available for sale investments	-	0.1	-	0.1
Total other income	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>0.1</u>

(c) Cost of sales ⁽¹⁾

Cost of production	(53.8) ⁽²⁾	(9.7)	-	-
Royalties	(1.6)	(0.3)	-	-
Depreciation – property, plant and equipment	(9.0)	(1.6)	-	-
Amortisation – intangibles	(1.0)	(0.2)	-	-
Product distribution costs	(1.0)	(0.2)	-	-
Total cost of sales	<u>(66.4)</u>	<u>(12.0)</u>	<u>-</u>	<u>-</u>

⁽¹⁾ Includes a credit of US\$2.0 million (2007: US\$Nil) relating to recognition of a value for stockpiles as a consequence of improved operating performance from 30 June 2007. In total US\$8.6 million was attributed to stockpile values during the year – recognised as both a US\$2.0 million credit to cost of sales and a US\$6.5 million reduction in property, plant and equipment.

⁽²⁾ Includes US\$14.0 million (2007: US\$3.3 million) expense relating to use of 185,000lb (2007 65,000lb) of third party uranium purchased during the year ended 30 June 2007 which was sold in the year ended 30 June 2008.

(d) Finance costs

Interest expense	(18.4)	(7.7)	(16.3)	(6.1)
Non-cash convertible bond interest	(8.6)	(4.1)	(8.6)	(4.1)
Mine closure provision discount interest expense	(0.5)	(0.1)	-	-
Facility costs	(3.2)	(1.1)	(2.2)	(0.9)
Total finance costs	<u>(30.7)</u>	<u>(13.0)</u>	<u>(27.1)</u>	<u>(11.1)</u>

(e) Other expenses

Corporate and marketing costs	(11.5)	(5.6)	(8.6)	(4.6)
Employee benefits expense ⁽²⁾	(5.6)	(7.3)	(5.3)	(6.8)
Share-based payments expense	(10.6)	(6.2)	(8.9)	(6.2)
Minimum lease payments – operating lease	(0.1)	(0.2)	(0.1)	(0.2)
Write down of intercompany receivables	-	-	(4.8)	(9.9)
Write down of intercompany investments	-	-	(0.1)	-
Sales contracts expense ⁽¹⁾	(2.9)	(7.8)	-	-
Foreign exchange loss (net)	(3.7)	(1.0)	(0.1)	(0.1)
Depreciation – property, plant and equipment	(0.9)	(0.3)	(0.6)	(0.2)
Loss on sale of property, plant and equipment	(0.4)	(0.2)	-	-
Total other expenses	<u>(35.7)</u>	<u>(28.6)</u>	<u>(28.5)</u>	<u>(28.0)</u>

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 4. REVENUES AND EXPENSES (continued)

(e) Other expenses (continued)

- ⁽¹⁾ The sales contracts expense is attributable to the requirement to meet future Langer Heinrich sales commitments by use of the remaining 35,000lb of third party uranium purchased during the year ended 30 June 2007.
- ⁽²⁾ Employee benefits expense for the 2007 year included a discretionary payment of A\$5.2m to a key management person relating to the 2004 to 2006 formative period of the Company.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 5. INCOME TAX

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
(a) Income tax benefit				
<i>Current income tax</i>				
Current income tax credit	(42.5)	(14.7)	(8.2)	(6.8)
<i>Deferred income tax</i>				
Tax benefits not brought to account as future income tax benefits	40.0	5.5	5.6	5.6
Prior year tax benefits brought to account as current income tax	-	(2.5)	-	-
Foreign exchange movement	(4.5)	-	-	-
Income tax benefit reported in the Income Statement	<u>(7.0)</u>	<u>(11.7)</u>	<u>(2.6)</u>	<u>(1.2)</u>
(b) Numerical reconciliation of income tax benefit to prima facie tax payable				
Loss from continuing operations before income tax expense	<u>(44.2)</u>	<u>(49.7)</u>	<u>(44.4)</u>	<u>(28.2)</u>
Tax at the Australian tax rate of 30% (2007 – 30%)	(13.3)	(14.9)	(13.3)	(8.5)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	2.7	1.9	2.7	1.9
Other expenditure not allowable	-	0.1	-	0.1
Specific tax expenditure allowable	<u>(0.4)</u>	<u>(0.3)</u>	<u>(0.4)</u>	<u>(0.3)</u>
	(11.0)	(13.2)	(11.0)	(6.8)
Difference in overseas tax rates	0.5	(1.5)	-	-
Prior year tax benefits not recognised now recouped	(2.4)	(2.5)	0.2	-
Current year tax benefits not recognised	10.4	5.5	8.2	5.6
Foreign exchange movement	<u>(4.5)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income tax benefit reported in the Income Statement	<u>(7.0)</u>	<u>(11.7)</u>	<u>(2.6)</u>	<u>(1.2)</u>

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 5. INCOME TAX (continued)

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
(c) Deferred income tax				
<i>Deferred tax liabilities</i>				
Accelerated prepayment deduction for tax purposes	(0.3)	(0.1)	-	-
Accelerated stores and consumables deduction for tax purposes	(0.2)	(0.6)	-	-
Revaluations of available-for-sale investments to fair value	-	(13.5)	2.1	(6.2)
Foreign currency differences on available-for-sale investments	(1.0)	0.3	-	0.2
Accelerated deduction for debt establishment and interest costs	(0.3)	(2.5)	-	-
Accelerated depreciation for tax purposes	(56.4)	(20.8)	-	-
Exploration expenditure	(6.5)	-	-	-
Recognition of fair value of acquired exploration and evaluation expenditure	(425.8)	(425.8)	-	-
Foreign currency differences on fair value of Acquired exploration and evaluation expenditure	(53.2)	-	-	-
Delayed revenue recognition for tax purposes	-	(0.1)	-	-
Recognition of convertible bond for accounting purposes	(12.9)	(10.1)	(12.9)	(10.1)
Gross deferred tax liabilities	(556.6)	(473.2)	(10.8)	(16.1)
Set off of deferred tax assets	57.3	25.0	-	-
Net deferred tax liabilities	(499.3)	(448.2)	(10.8)	(16.1)
<i>Deferred tax assets</i>				
Revenue losses available for offset against future taxable income	95.3	32.8	16.4	5.4
Equity raising costs	0.5	0.9	0.5	0.9
Foreign currency balances	6.5	0.6	-	-
Provision for sales contracts	-	2.9	-	-
Provision for audit services	0.1	-	0.1	-
Investment cash acquisition costs for accounting purposes	-	0.9	-	-
Provisions for employee benefits	0.4	0.2	0.4	0.2
Provision for mine rehabilitation	0.1	-	-	-
Provisions for write down of intercompany receivables	-	-	9.2	9.4
Provisions for write down of intercompany investments	-	-	0.4	0.4
Gross deferred tax assets	102.9	38.3	27.0	16.3
Set off against deferred tax liabilities	(57.3)	(25.0)	-	-
Deferred tax assets not recognised as not probable	(32.6)	(2.9)	(27.0)	(16.3)
Net deferred tax assets recognised	13.0	10.4	-	-

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 5. INCOME TAX (continued)

(c) Deferred income tax (continued)

The net deferred tax assets recognised are attributable to Langer Heinrich Uranium (Pty) Ltd, a Namibian company that owns the Langer Heinrich Uranium Project and Paladin (Africa) Ltd, a Malawian company that owns the Kayelekera Uranium Project. The utilisation of the net deferred tax assets is dependent upon future taxable profits in excess of profits arising from reversal of existing temporary differences and Langer Heinrich Uranium (Pty) Ltd and Paladin (Africa) Ltd have suffered losses in the current and preceding periods in Namibia and Malawi respectively. The recognition of the net deferred tax assets is supported by the production ramp-up at the Langer Heinrich Uranium Project and the Bank Feasibility Study for the Kayelekera Uranium Project.

(d) Tax losses

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
Australian unused tax losses for which no deferred tax asset has been recognised	105.6	27.8	54.9	18.0
Namibian unused tax losses for which no deferred tax asset has been recognised	-	-	-	-
Malawian unused tax losses for which no deferred tax asset has been recognised	-	2.7	-	-
Total unused tax losses for which no deferred tax asset has been recognised	105.6	30.5	54.9	18.0
Potential tax benefit at tax rates between 30% - 37.5%	31.7	9.2	16.5	5.4
This benefit for tax losses will only be obtained if:				

- (i) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the Consolidated Entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the losses.

(e) Members of the tax consolidation group and the tax sharing arrangements

Paladin Energy Ltd and its 100% owned Australian resident subsidiaries formed a tax consolidated group (the Group) with effect from 1 July 2003. Paladin Energy Ltd is the head entity of the Group. Members of the Group have entered into a tax sharing agreement that provides that the head entity will be liable for all taxes payable by the Group from the consolidation date. The parties have agreed to apportion the head entity's taxation liability within the Group based on each contributing member's share of the Group's taxable income.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 6. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Cash at bank and in hand	15.5	4.3	1.4	0.4
Short-term bank deposits	72.4	19.4	66.3	10.2
US\$ treasury bonds	<u>249.7</u>	<u>159.1</u>	<u>249.7</u>	<u>159.1</u>
Total cash and cash equivalents	<u>337.6</u>	<u>182.8</u>	<u>317.4</u>	<u>169.7</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 30 June 2008, the Group had available US\$Nil (2007: US\$4.4million) of undrawn committed borrowing facilities in respect of which all conditions precedent have been met.

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

Net loss	<u>(37.2)</u>	<u>(38.0)</u>	<u>(41.8)</u>	<u>(27.0)</u>
<i>Adjustments for</i>				
Depreciation and amortisation	10.9	2.1	0.6	0.2
Exploration expenditure	13.1	7.4	-	-
Provision for non-recovery of intercompany loan	-	-	4.8	9.9
Provision for non-recovery of intercompany investments	-	-	0.1	-
Loss on disposal of property, plant and equipment	0.4	0.2	-	-
Profit on sale of investments	-	(0.1)	-	(0.1)
Database licence revenue	(0.2)	(0.2)	-	-
Net exchange differences	3.7	1.0	0.1	0.1
Share options expensed	10.6	6.2	8.9	6.2
Non-cash financing costs	12.3	5.3	10.8	5.0
<i>Changes in assets and liabilities</i>				
Increase in prepayments	(0.8)	(0.2)	-	-
Increase in trade and other receivables	(26.0)	(6.1)	(4.7)	(2.5)
Increase/(decrease) in trade and other payables	5.1	(12.2)	4.5	1.9
Increase/(decrease) in provisions	(6.7)	8.5	0.5	0.4
Decrease in borrowings	(3.9)	-	-	-
(Increase)/decrease in inventories	7.3	(0.9)	-	-
Decrease in deferred tax liabilities	(4.4)	(1.2)	(2.6)	(1.2)
Increase in deferred tax assets	<u>(2.6)</u>	<u>(10.4)</u>	<u>-</u>	<u>-</u>
Net cash from operating activities	<u>(18.4)</u>	<u>(38.6)</u>	<u>(18.8)</u>	<u>(7.1)</u>

(b) Disclosure of financing facilities

Refer to Note 19.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 7. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Current				
Trade receivables - (a)	28.7	3.3	-	-
Less provision for doubtful debts	-	-	-	-
Net trade receivables	28.7	3.3	-	-
Interest receivable	0.1	0.8	-	0.8
Prepayments	1.1	0.3	0.1	0.2
GST and VAT - (b)	5.0	6.6	0.3	2.1
Sundry debtors - (c)	5.1	1.6	9.0	1.1
Total current receivables	40.0	12.6	9.4	4.2

- (a) Trade receivables are non-interest bearing and are generally on 30 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. An allowance of US\$Nil (2007: US\$Nil) has been recognised as an expense for the current year for specific debtors for which such evidence exists.
- (b) GST and VAT debtor relates to Australia, Namibia and Malawi. Interest is not normally charged and collateral is not normally obtained.
- (c) Sundry debtors include a A\$3.1 million (US\$3.0 million) (2007: A\$Nil/US\$Nil) debtor due from the sale of non-uranium properties and Georgina Basin Project held by Summit Resources Ltd. Interest is not normally charged and collateral is not normally obtained. Sundry debtors includes amounts receivable by the Company from subsidiaries US\$9.0 million (2007: US\$1.0 million).

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Non Current				
Unsecured loans to wholly owned Group - (d)	-	-	249.2	107.1
Less provision for non-recovery	-	-	(30.6)	(25.8)
Net unsecured loans to the wholly owned Group	-	-	218.6	81.3
Net other receivables	-	-	218.6	81.3

- (d) Of the unsecured loans to the wholly owned Group, the Company charges interest only on the loan to Paladin Finance Pty Ltd. The interest rate payable is the one month US\$ LIBOR plus 2% (2007: one month US\$ LIBOR plus 2%). In the year ending 30 June 2008 the average rate charged was 6.19% (11.87% for 1 July 2006 to 30 November 2006 and 7.32% from 1 December 2006 to 30 June 2007) and disclosure of interest revenue earned is set out in Note 4(a).

The other unsecured loans are repayable on demand however the Company, for the foreseeable future, has no intention of demanding repayment until the subsidiary has the capacity to repay.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 8. INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
Stores and spares (at cost)	3.9	1.8	-	-
Stockpiles (at cost) ⁽¹⁾	13.4	-	-	-
Work-in-progress (at cost)	5.6	-	-	-
Work-in-progress (at net realisable value)	-	2.1	-	-
Finished goods (at cost) – third party uranium purchased	31.8	24.7	-	-
Finished goods (at cost)	14.2	-	-	-
Finished goods (at net realisable value)	-	9.4	-	-
Total inventories at the lower of cost and net realisable value	<u>68.9</u>	<u>38.0</u>	<u>-</u>	<u>-</u>

⁽¹⁾ Value now recognised for stockpile as a consequence of lower cost of production of the Langer Heinrich Uranium Project from 30 June 2007. In total US\$8.6 million was attributed to stockpile values during the financial year from the improved operating performance.

(a) Inventory expense

Inventories sold recognised as an expense for the year ended 30 June 2008 totalled US\$66.4 million (2007: US\$8.7 million) for the Group and US\$Nil (2007: US\$Nil) for the Company. This expense has been included in the cost of sales - refer Note 4(c). Impairment of inventories included in the cost of sales for the Consolidated Entity is US\$Nil (2007: US\$3.3 million).

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 9. INVESTMENTS HELD FOR TRADING

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
CURRENT				
At fair value				
Options – unlisted	<u>1.4</u>	-	-	-
	<u>1.4</u>	-	-	-

The Consolidated Entity has an investment in MM Mining Plc (MMM), an unlisted public UK company that explores for base metals. At 30 June 2008 the Consolidated Entity holds 20 million (2007:Nil) warrants. Each warrant entitles it to acquire one fully paid ordinary share in MMM at an exercise price of 15 GB pence. Each warrant expires on 31 December 2012

As MMM is unlisted the options have been valued using the Black and Scholes option pricing methodology using the net assets per share method to determine the appropriate underlying value.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 10. OTHER FINANCIAL ASSETS

Non Current

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
Investments in controlled entities – (a)	-	-	994.4	994.4
Less provision for non-recovery	-	-	(1.3)	(1.2)
Net investment in controlled entities	-	-	993.1	993.2
Available-for-sale financial assets – (b)	41.7	60.3	26.6	34.1
Total non current other financial assets	41.7	60.3	1,019.7	1,027.3

(a) Investments in material controlled entities

NAME	COUNTRY OF INCORPORATION INVESTMENT	PERCENTAGE INTEREST HELD		COST OF PARENT ENTITY'S INTEREST	
		2008	2007	2008	2007
		%	%	US\$m	US\$m
Paladin Finance Pty Ltd ⁽ⁱ⁾⁽ⁱⁱ⁾	Australia	100	100	37.2	37.2
Paladin Energy Minerals NL ⁽ⁱ⁾	Australia	100	100	-	-
Eden Creek Pty Ltd ⁽ⁱ⁾⁽ⁱⁱ⁾	Australia	100	100	1.3	1.3
Paladin (Africa) Ltd ⁽ⁱⁱⁱ⁾	Malawi	85 *	85 *	-	-
Langer Heinrich Uranium (Pty) Ltd	Namibia	100	100	-	-
Valhalla Uranium Ltd ^{(i)(vii)}	Australia	100	100	153.2	153.2
Northern Territory Uranium Pty Ltd ^{(ii)(iv)}	Australia	100	100	-	-
Mt Isa Uranium Pty Ltd ^{(ii)(iv)}	Australia	100	100	-	-
Paladin Nuclear Ltd ^{(i)(viii)}	Australia	100	100	-	-
Summit Resources Ltd ^{(i)(ix)}	Australia	81.9	81.9	802.7	802.7
Summit Resources (Aust) Pty Ltd ^{(ii)(v)}	Australia	81.9	81.9	-	-
Pacific Mines Ltd ^(vi)	Australia	81.9	81.9	-	-
Total investments in controlled entities				994.4	994.4
Less provision for non-recovery of investments				(1.3)	(1.2)
Net investments in controlled entities				993.1	993.2

^(*) The Development Agreement for the Kayelekera Uranium Project signed on 23 February 2007 provides the Government of Malawi with 15% of Paladin (Africa) Ltd, owner of the project, in exchange for a reduction of 2.5% in corporate tax, nil rent resource tax and royalty offsets.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 10. OTHER FINANCIAL ASSETS (continued)

(a) Investments in material controlled entities (continued)

All investments comprise ordinary shares and all shares held are unquoted, with the exception of Summit Resources Ltd's shares which are quoted on the Australian Securities Exchange.

- (i) Held by Paladin Energy Ltd
- (ii) These entities are not required to prepare or lodge audited accounts
- (iii) Held by Paladin Energy Minerals NL
- (iv) Held by Valhalla Uranium Ltd
- (v) Held by Summit Resources Ltd
- (vi) Held by Summit Resources (Aust) Pty Ltd
- (vii) Acquired on 7 September 2006 with the eventual issue of 37,974,256 Paladin shares plus US\$1.7 million in transaction costs
- (viii) Incorporated on 27 April 2007
- (ix) Acquired majority interest on 27 April 2007 with the eventual issue of 101,157,400 Paladin shares plus US\$3.8 million in transaction costs

Acquisition Disclosure

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
Inflow of cash on acquisition of controlled entities				
Cash balances acquired	-	26.8	-	-
Less: Cash consideration	-	(5.5)	-	(5.5)
Net inflow/(outflow) of cash	-	21.3	-	(5.5)

Included in the net inflow of cash is US\$1.9 million from the acquisition of Valhalla Uranium Ltd and US\$19.4 million from the acquisition of Summit Resources Ltd – refer Note 31.

(b) Available-for-sale financial assets

The Consolidated Entity has an investment in Deep Yellow Ltd (Deep Yellow) and at 30 June 2008 holds 159,058,461 (2007: 117,585,704) fully paid ordinary shares and 12,500,000 unlisted securities exercisable at 8.1 Australian cents on or before 31 July 2008 (2007: 12,500,000 unlisted securities exercisable at 8.1 Australian cents on or before 31 July 2008).

The holding of these fully paid ordinary shares represents 14.34% interest at 30 June 2008 (2007: 12% interest) of the ordinary shares of Deep Yellow, a uranium explorer listed on ASX. The market value of the shares and unlisted securities in Deep Yellow at 30 June 2008 is A\$42.7 million (US\$41.1 million) (2007: A\$76.5 million/ US\$59.9 million) based on a share price of 25.5 Australian cents per share (2007: 55 Australian cents).

Refer to Note 32 in relation to an increase in the interest in Deep Yellow after Balance Sheet date pursuant to the exercise of options.

The Consolidated Entity also holds minor investments in other companies.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 11. INVESTMENT IN ASSOCIATE

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
(a) Investment details				
Unlisted				
MM Mining Plc – ownership 35%	2.6	-	-	-
Investment in associate	2.6	-	-	-

The Consolidated Entity has an investment in MM Mining Plc (MMM), an unlisted UK company that explores base metals. At 30 June 2008 it holds 20 million (2007:Nil) fully paid ordinary shares. This is in addition to the warrants held as disclosed in Note 9. As MMM is unlisted the value per share method has been used to determine the appropriate underlying value.

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

MM Mining Plc				
At 1 July 2007	-	-	-	-
Investment in associate	2.8	-	-	-
Shares of losses after income tax	(0.2)	-	-	-
At 30 June 2008	2.6	-	-	-

(c) Summarised financial information

The following table illustrates summarised financial information
Relating to the Group's associate

Extract from the associate's balance sheet:

Current assets	0.3	-	-	-
Non current assets	10.8	-	-	-
	11.1	-	-	-
Current liabilities	(3.5)	-	-	-
Non current liabilities	-	-	-	-
	(3.5)	-	-	-
Net assets	7.6	-	-	-
Share of associate's net assets	2.6	-	-	-

Extract from the associate's income statement

Revenue	-	-	-	-
Net loss	0.6	-	-	-

Contingent liabilities relating to the associate

Share of contingent liabilities incurred jointly with other investors	-	-	-	-
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PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 12. DEFERRED BORROWING COSTS

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Non Current				
Deferred borrowing costs	1.7	0.2	-	-

Deferred borrowing costs represent the initial capitalised costs of establishing project finance for the Kayelekera Uranium Project.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Plant and equipment – at cost ⁽¹⁾	125.8	124.1	18.9	17.8
Less provision for depreciation	(10.5)	(2.4)	(1.1)	(0.5)
Total plant and equipment	<u>115.3</u>	<u>121.7</u>	<u>17.8</u>	<u>17.3</u>
Technical database – at cost	0.9	0.7	-	-
Less provision for amortisation	(0.8)	(0.6)	-	-
Total technical database	<u>0.1</u>	<u>0.1</u>	<u>-</u>	<u>-</u>
Land and buildings - at cost	5.3	3.4	-	-
Less provision for depreciation	(0.3)	(0.2)	-	-
Total land and buildings	<u>5.0</u>	<u>3.2</u>	<u>-</u>	<u>-</u>
Construction work in progress – at cost	<u>109.1</u>	<u>8.1</u>	<u>-</u>	<u>-</u>
Total non current property, plant and equipment	<u>229.5</u>	<u>133.1</u>	<u>17.8</u>	<u>17.3</u>

⁽¹⁾ Reduction of US\$6.6 million (2007: US\$Nil) occurred during the year ended 30 June 2008 relating to the recognition of value for stockpiles as a consequence of lower cost of production of the Langer Heinrich Uranium Project from 30 June 2007.

Property, plant and equipment pledged as security for liabilities

Refer to Note 19 for information on property, plant and equipment pledged as security.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 13. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations

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

	Total	Plant and Equipment	Databases	Land and Building	Construction Work in Progress
	US\$m	US\$m	US\$m	US\$m	US\$m
Consolidated – 2008					
Carrying amount at start of year	133.1	121.7	0.1	3.2	8.1
Additions	106.8	3.9	-	1.9	101.0
Depreciation and amortisation expense	(8.4)	(8.1)	(0.1)	(0.2)	-
Disposals	(2.3)	(2.3)	-	-	-
Foreign currency translation reserve	0.3	0.1	-	0.2	-
Carrying amount at end of year	<u>229.5</u>	<u>115.3</u>	<u>-</u>	<u>5.1</u>	<u>109.1</u>
Parent Entity - 2008					
Carrying amount at start of year	17.3	17.3	-	-	-
Additions	1.1	1.1	-	-	-
Depreciation and amortisation expense	(0.6)	(0.6)	-	-	-
Carrying amount at end of year	<u>17.8</u>	<u>17.8</u>	<u>-</u>	<u>-</u>	<u>-</u>

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Total	Plant and Equipment	Databases	Land and Building	Construction Work in Progress
	US\$m	US\$m	US\$m	US\$m	US\$m
Consolidated – 2007					
Carrying amount at start of year	58.7	0.4	0.1	0.2	58.0
Additions	88.7	20.6	-	-	68.1
Acquisition of subsidiary (Note 31)	1.4	0.5	-	0.9	-
Depreciation and amortisation expense	(1.8)	(1.6)	-	(0.2)	-
Disposals	(0.3)	(0.1)	-	(0.2)	-
Re-classification to intangibles	(17.8)	-	-	-	(17.8)
Re-classification of assets	-	101.8	-	2.5	(104.3)
Functional currency transition adjustment ⁽¹⁾	4.3	0.1	-	-	4.2
Foreign currency translation reserve	(0.1)	-	-	-	(0.1)
Carrying amount at end of year	<u>133.1</u>	<u>121.7</u>	<u>0.1</u>	<u>3.2</u>	<u>8.1</u>
Parent Entity - 2007					
Carrying amount at start of year	0.3	0.3	-	-	-
Additions	17.2	17.2	-	-	-
Depreciation and amortisation expense	(0.2)	(0.2)	-	-	-
Carrying amount at end of year	<u>17.3</u>	<u>17.3</u>	<u>-</u>	<u>-</u>	<u>-</u>

⁽¹⁾ Adjustment relates to the transition from a functional and presentation currency of Australian dollars to a functional and presentation currency of United States dollars.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 14. MINE DEVELOPMENT

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Mine development	13.8	2.1	-	-
Less provision for depreciation	(1.6)	(0.1)	-	-
Total mine development	12.2	2.0	-	-
Carrying amount at start of year	2.0	-	-	-
Additions	4.8	0.5	-	-
Depreciation and amortisation expense	(1.5)	(0.1)	-	-
Reallocation from exploration	6.9	1.6	-	-
Carrying amount at end of year	12.2	2.0	-	-

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

Langer Heinrich Uranium Project (Namibia) - Paladin 100%

The Langer Heinrich Uranium Project consists of one mining licence – ML 140 - covering 4,375 hectares in the Namib Naukluft Desert 180km west of Windhoek, the capital of Namibia, and 80km east of the major seaport of Walvis Bay. The licence was granted on 26 July 2005 for a 25 year term expiring on 25 August 2030. Rights conferred by the licence include the right to mine and sell base and rare metals and nuclear fuel groups of minerals and to carry out prospecting operations. The project was purchased from Acclaim Uranium NL (now Aztec Resources Ltd) in August 2002. The Langer Heinrich Uranium Project is owned through a wholly owned Namibian entity, Langer Heinrich Uranium (Pty) Ltd.

Construction of the processing plant was commenced in late 2005 with staged commissioning being completed in December 2006. Following an extended ramp-up phase the plant and mine achieved nameplate production in late 2007. Work has commenced on the Stage 2 plant upgrade with planning underway for a further Stage 3 upgrade.

Langer Heinrich Uranium (Pty) Ltd also holds an exclusive prospecting licence, EPL 3500 covering 30 sq. km. to the west of the mining licence.

Kayelekera Uranium Project (Malawi) – Paladin 85%

The Kayelekera Uranium Project consists of one mining licence - ML 152 - covering 5,550 hectares in northern Malawi 650km north of Lilongwe, the capital of Malawi, and 40km west of the provincial town of Karonga on the shore of Lake Malawi. The licence was granted on 2 April 2007 for a fifteen year term expiring on 1 April 2022. Rights conferred by the licence include the exclusive right to mine and sell uranium and associated minerals. The Consolidated Entity acquired its interest in the Kayelekera Uranium Project in February 1998 when it entered into a joint venture with Balmain Resources Pty Ltd, a private company based in Perth, Western Australia. In 2000 the Consolidated Entity increased its interest in the Kayelekera Project to 90% and in July 2005 acquired the remaining 10% interest held by Balmain Resources Pty Ltd. Paladin's interest in the Kayelekera Uranium Project is held through a Malawian entity, Paladin (Africa) Ltd.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 14. MINE DEVELOPMENT (continued)

A Development Agreement has been enacted between the Government of Malawi and Paladin (Africa) Ltd in which Paladin received certain taxation and royalty concessions and in return the Government of Malawi received a free carried interest in the project of 15% thus reducing Paladin's share to 85%. Subsequent to the Development Agreement and the acceptance of the project Environmental Impact Assessment the Government of Malawi granted the mining licence covering the project area to Paladin (Africa) Ltd. Construction of the plant was commenced in 2007 with staged commissioning expected to be completed by December 2008. Mining to develop initial stockpiles was started in mid 2008.

Paladin (Africa) Ltd also holds four exclusive prospecting licences in northern Malawi covering 1,298 sq.km. surrounding and to the south of the Kayelekera mining licence.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 15. EXPLORATION AND EVALUATION EXPENDITURE

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

Manyingee Uranium Project (Australia) – Paladin 100%

The Manyingee Uranium Project consists of three granted mining leases – M08/86, M08/87 and M08/88 - covering 1,307 hectares in the north west of Western Australia, 1,100km north of Perth, the State capital and 90km south of the township of Onslow on the North West coast. The Consolidated Entity purchased the Manyingee Uranium Project in 1998 from Afmeco Mining and Exploration Pty Ltd (AFMEX), a subsidiary company of Cogema of France. Under the terms (as amended) of the purchase agreement a final payment of A\$0.75 million is payable to AFMEX when all development approvals have been obtained. Royalties of 2.5% for the first 2,000 tonnes of uranium oxide and 1.5% for the following 2,000 tonnes of uranium oxide are also payable to AFMEX and associated companies which formerly held interests in the project. The three Mining Leases were granted on May 18, 1989 for a 21-year term renewable for a further term or terms of 21 years. Rights conferred by the three Mining Leases include the exclusive right to explore and mine minerals, subject to environmental and other approvals. The interest in Manyingee is held through the wholly owned entity, Paladin Energy Minerals NL.

Oobagooma Uranium Project (Australia) – Paladin 100%

The Oobagooma Uranium Project consists of four applications for exploration licences covering 452 sq.km. in the West Kimberley region of northern Western Australia, 1,900km north-north-east of Perth, the State capital and 70km north east of the regional town of Derby. The four applications for exploration licences are 04/145 and 04/146 lodged on December 28, 1983 and 04/776 and 04/777 lodged on November 28, 1991 which largely overlie the earlier applications. The Consolidated Entity purchased the Oobagooma Project in 1998 from AFMEX. Under the terms of the purchase agreement a final payment of A\$0.75 million is payable to AFMEX when the tenements are granted. A gross royalty of 1.0% on production is also payable to AFMEX. The applications for exploration licences remain in the name of Afmeco Pty Ltd (a company associated with AFMEX) until the date that they are granted after which title will be transferred. The interest in Oobagooma is held through the wholly owned entity, Paladin Energy Minerals NL.

Bigrlyi Uranium Project (Australia) - Paladin 42.06%

The Bigrlyi Uranium Project lies in the Northern Territory of Australia approximately 320km north west of Alice Springs and is comprised of ten exploration retention licences (ERLs 46-55) covering 1,214 hectares. These tenements were originally granted in 1983 and have been subject to 5 yearly renewals since 1988. The project is now a Joint Venture between Energy Metals Limited 53.74%, Southern Cross Exploration NL 4.20% and Northern Territory Uranium Pty Ltd 42.06% (100% owned by Paladin Energy Ltd) with Energy Metals Limited being operator and manager. Resource definition drilling is ongoing at the project and an Initial Scoping Study was released in November 2007 with an Updated Scoping Study released in July 2008.

The Bigrlyi uranium deposit was originally discovered by Agip Australia Pty Ltd in the mid 1970's before being transferred to Central Pacific Minerals NL in the early 1980's. Ore resource studies were carried out during the 1980's and 1990's but no drilling was undertaken until recently. During 2005/2006 a drilling campaign was undertaken by the Joint Venture partners which resulted in an initial JORC Resource. Resource definition drilling on the project during 2007 has resulted in an updated resource. The Joint Venture has completed a number of scoping studies to assess the viability of the project with drill planning for 2008 based on these outcomes.

Isa Uranium Joint Venture (Australia) - Paladin 90.9%

The Isa Uranium Joint Venture in Northern Queensland is a 50:50 joint venture between Summit Resources (Aust) Pty Ltd (Paladin Energy Ltd 81.9% ownership) and Mt Isa Uranium Pty Ltd (Paladin Energy Ltd 100% ownership) with Summit Resources (Aust) Pty Ltd being the operator and manager. The Isa Uranium Joint Venture covers of two defined blocks of land totalling 27 sq.km. containing the Vahalla and Skai uranium deposits. Paladin's effective equity in the Isa Uranium Joint Venture was increased from 50% to 90.9% following the acquisition of 81.9% of Summit Resources Ltd in 2007.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 15. EXPLORATION AND EVALUATION EXPENDITURE (continued)

Valhalla Uranium Deposit

The Valhalla Uranium Deposit is situated on Exploration Permit for Minerals 9221 (EPM 9221) and is located some 40km North of Mount Isa and straddles the Barkly Highway. EPM 9221 was originally granted to Summit Resources (Aust) Pty Ltd in 1993 but the ground had previously been worked on by Mount Isa Mines Limited and Queensland Mines Limited from the mid 1950's to the early 1970's. Queensland Mines Limited, in particular, conducted extensive exploration over the Valhalla ground between 1968 and 1972 including the estimation of resources and reserves. Queensland Mines Limited allowed the tenement to lapse in 1991 and the ground was subsequently acquired by Summit Resources (Aust) Pty Ltd in 1992. During 2008 resource definition drilling was commenced to enable completion of a detailed scoping study.

Skal Uranium Deposit

The Skal Uranium Deposit is located approximately 8km southeast of the Valhalla Uranium Deposit and 32km north of Mount Isa. Skal was originally discovered by Mount Isa Mines Limited in the mid 1950's and was subject to mapping and drilling at that time. Queensland Mines Limited acquired the project in the 1960's and conducted further drilling resulting in an estimation of a resource for the project. The deposit is situated on Exploration Permit for Minerals 14048 and the Isa Uranium Joint Venture re-commenced drilling in 2005. An initial JORC compliant resource estimate was completed in mid 2008.

Summit Resources Ltd (Australia) - Paladin 81.9%

Paladin acquired an 81.9% interest in Summit Resources Ltd as a result of a takeover bid which closed on 1 June 2007. Summit Resources Ltd holds a large number of exploration tenements surrounding and to the north of Mount Isa in Northern Queensland. Other than the Andersons, Bikini & Watta Projects, for which JORC resource estimates have been completed, limited exploration activities have taken place on these tenements in recent years and as such they are not considered material to Paladin at this point in time.

Angela and Pamela Projects (Australia) - Paladin 50%

In early 2008 the Northern Territory Government advised that the Angela Project Joint Venture (Paladin 50% and Cameco 50%) had been selected to explore the Angela and Pamela uranium deposits located near Alice Springs in the Northern Territory. Exploration licence applications are now underway through the normal procedures set out in the Northern Territory Mining Act and it is anticipated that this process will be completed by late 2008.

Other mineral property interests

The Consolidated Entity holds various other mineral property interests, however, these are not considered material and as a result no further disclosure of mineral property tenement information has been included in the consolidated schedules of information.

Environmental contingency

The Consolidated Entity's exploration, evaluation, development and operation activities are subject to various national, federal, provincial and local laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Consolidated Entity has made, and expects to make in the future, expenditures to comply with such laws and regulations. The impact, if any, of future legislative or regulatory changes cannot be determined.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008
EXPRESSED IN US DOLLARS

NOTE 15. EXPLORATION AND EVALUATION EXPENDITURE (continued)

The following table details the expenditures on interests in mineral properties by area of interest for the year ended 30 June 2008:

Areas of interest	Valhalla/Skal Projects ⁽¹⁾ US\$m	Isa North Project ⁽¹⁾ US\$m	Georgina Basin Project ⁽¹⁾ US\$m	Other Projects Non Uranium ⁽¹⁾ US\$m	Bigirlyi Project US\$m	Kayelekera Project US\$m	Langer Heinrich Project US\$m	Other Uranium Projects US\$m	Total US\$m
Balance 30 June 2007	1,227.896	344.437	1.178	7.124	15.065	4.560	-	1.129	1,601.389
Acquisition property payments	-	-	-	-	-	-	-	-	-
Project exploration and evaluation expenditure									
Tenement costs	-	0.061	0.377	0.075	-	0.001	-	0.038	0.552
Labour	1.213	0.383	0.149	0.045	0.031	0.430	-	0.286	2.537
Consultants and contractors	0.353	0.049	0.063	0.001	0.003	0.032	-	0.042	0.543
Materials and utilities	0.184	0.016	0.001	0.002	0.006	0.068	-	0.019	0.296
Transportation and communications	0.209	0.086	-	0.010	0.009	0.170	-	0.043	0.527
Outside services	5.327	0.642	0.001	0.039	-	0.544	1.021	-	7.574
Legal and accounting	-	0.002	0.002	0.003	-	(0.015)	-	0.020	0.012
Camp expenses	0.049	0.015	-	-	-	0.012	-	0.015	0.091
Overheads	0.301	0.048	0.001	0.005	0.023	0.025	-	0.050	0.453
Joint venture contributions	-	-	(1.317)	-	2.372	-	-	-	1.055
Other expenses	0.215	0.053	0.001	0.001	0.003	0.341	-	0.004	0.618
Total expenditure	7.851	1.355	(0.722)	0.181	2.447	1.608	1.021	0.517	14.258
Exploration expenditure expensed	(7.851)	(1.355)	(0.463)	(0.181)	(2.447)	(0.290)	-	(0.517)	(13.104)
Exploration expenditure capitalised	-	-	(1.185)	-	-	1.318	1.021	-	1.154
Cost of tenements sold	-	-	-	(7.350)	-	-	-	-	(7.350)
Foreign exchange differences	161.914	45.420	0.007	0.226	1.987	-	-	0.150	209.704
Transferred to Mine Development	-	-	-	-	-	(5.878)	(1.021)	-	(6.899)
Balance 30 June 2008	1,389.810	389.857	-	-	17.052	-	-	1.279	1,797.998

⁽¹⁾ Allocation of the Summit Group acquisition value was completed during the year, and as a consequence the comparatives have been restated. Summit has a 50% interest in the Valhalla/Skal Projects with the other 50% interest held by the Paladin Group. As a consequence of the takeover of the Summit Group, the above table now reflects 100% of the Valhalla/Skal Projects with the minority interest reflected on the face of the Balance Sheet.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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EXPRESSED IN US DOLLARS

NOTE 15. EXPLORATION AND EVALUATION EXPENDITURE (continued)

The following table details the expenditures on interests in mineral properties by area of interest for the year ended 30 June 2007:

Areas of interest	Valhalla/Skal Projects ⁽¹⁾ US\$m	Isa North Project ⁽¹⁾ US\$m	Georgina Basin Project ⁽¹⁾ US\$m	Other Projects Non Uranium ⁽¹⁾ US\$m	Bigirlyi Project US\$m	Kayelekera Project US\$m	Langer Heinrich Project US\$m	Other Uranium Projects US\$m	Total US\$m
Balance 30 June 2006	-	-	-	-	-	4.223	1.149	0.972	6.344
Acquisition property payments	1,216.352	344.363	1.178	7.122	13.908	-	-	-	1,582.923
Project exploration and evaluation expenditure									
Tenement costs	(0.016)	0.004	-	0.016	-	0.005	0.001	0.034	0.044
Labour	(0.031)	0.162	0.016	0.030	0.006	0.443	0.050	0.107	0.783
Consultants and contractors	0.062	0.006	0.065	0.067	0.017	0.566	0.002	0.039	0.824
Materials and utilities	-	0.030	-	0.001	-	0.122	0.005	0.011	0.169
Transportation and communications	0.022	0.016	0.004	0.005	-	0.312	0.029	0.059	0.447
Outside services	-	0.789	0.027	0.142	-	2.168	0.254	-	3.380
Legal and accounting	-	-	-	-	-	0.185	-	0.107	0.292
Camp expenses	0.009	0.002	0.003	0.003	-	0.098	0.002	0.017	0.134
Overheads	0.043	0.001	-	-	-	0.048	-	0.048	0.140
Joint venture contributions	0.671	-	(0.577)	-	1.345	-	-	-	1.439
Other expenses	0.026	0.001	-	0.001	-	0.103	0.008	0.005	0.144
Total expenditure	0.786	1.011	(0.462)	0.265	1.368	4.050	0.351	0.427	7.796
Exploration expenditure expensed	(0.786)	(1.011)	0.462	(0.265)	(1.368)	(4.050)	-	(0.427)	(7.445)
Exploration expenditure capitalised	-	-	-	-	-	-	0.351	-	0.351
Foreign exchange differences	11.544	0.074	-	0.002	1.157	0.337	0.083	0.157	13.354
Transferred to Property, Plant & Equipment	-	-	-	-	-	-	(1.583)	-	(1,583)
Balance 30 June 2007	1,227.896	344.437	1.178	7.124	15.065	4.560	-	1.129	1,601.389

⁽¹⁾ Allocation of the Summit Group acquisition value was completed during the year, and as a consequence the comparatives have been restated. Summit has a 50% interest in the Valhalla/Skal Projects with the other 50% interest held by the Paladin Group. As a consequence of the takeover of the Summit Group, the above table now reflects 100% of the Valhalla/Skal Projects with the minority interest reflected on the face of the Balance Sheet.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 16. INTANGIBLE ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
(a) Reconciliation of carrying amount at the beginning and end of the period				
At 1 July				
Net of accumulated amortisation	17.6	-	-	-
Reclassification from property, plant and equipment	-	17.8	-	-
Amortisation	(1.0)	(0.2)	-	-
At 30 June				
Net of accumulated amortisation	16.6	17.6	-	-
At 30 June				
Cost – right to supply of power and water	17.8	17.8	-	-
Accumulated amortisation	(1.2)	(0.2)	-	-
Net carrying amount of non current intangible assets	16.6	17.6	-	-

Amortisation of US\$1.0million (2007: US\$0.2 million) is included in costs of sales in the Income Statement.

(b) Description of the Group's intangible assets

(i) Right to supply of power

Langer Heinrich Uranium Pty Ltd has entered into a contract with NamPower in Namibia for the right to access power at the Langer Heinrich mine. In order to obtain this right, the power line connection to the mine was funded by Langer Heinrich, however, ownership of the power line rests with NamPower. The amount funded is being amortised over the life of mine on a straight-line basis.

(ii) Right to supply of water

Langer Heinrich Uranium Pty Ltd has entered into a contract with NamWater in Namibia for the right to access water at the Langer Heinrich mine. In order to obtain this right, the water pipeline connection to the mine was funded by Langer Heinrich; however, ownership of the pipeline rests with NamWater. The amount funded is being amortised over the life of mine on a straight-line basis.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 17. TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Current				
Trade and other payables	<u>41.4</u>	<u>13.8</u>	<u>7.5</u>	<u>2.8</u>
Total current payables	<u>41.4</u>	<u>13.8</u>	<u>7.5</u>	<u>2.8</u>

Trade payables are non-interest bearing and are normally settled on 60 day terms.

Non Current

Unsecured loans from wholly owned Group Companies	<u>-</u>	<u>-</u>	<u>1.0</u>	<u>2.7</u>
Total non current payables	<u>-</u>	<u>-</u>	<u>1.0</u>	<u>2.7</u>

The unsecured loans from wholly owned Group Companies are interest free and have no fixed terms of repayment, however, the companies for the foreseeable future have no intention of demanding repayment.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 18. UNEARNED REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
Current				
Unearned revenue	<u>0.2</u>	<u>0.2</u>	<u>-</u>	<u>-</u>
Non current				
Unearned revenue	<u>0.5</u>	<u>0.6</u>	<u>-</u>	<u>-</u>

Unearned revenue represents the database licence revenue received from Deep Yellow Ltd for the use of the Frome Basin database from 15 July 2005 for a period of 6 years.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 19. INTEREST BEARING LOANS AND BORROWINGS

		CONSOLIDATED		PARENT ENTITY		
	Maturity	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m	
Current						
Secured bank loan		11.0	4.4	-	-	
Non current						
Unsecured convertible bonds		2011	218.4	209.2	218.4	209.2
Unsecured convertible bonds		2013	299.0	-	299.0	-
Secured bank loan		2012	54.1	60.0	-	-
Total non current			571.5	269.2	517.4	209.2

The figures above include deferred borrowing costs

Fair value disclosures

Details of the fair value of the Group's interest bearing liabilities are set out in Note 23.

Unsecured convertible bonds

On 15 December 2006, the Company issued US\$250 million in convertible bonds with an underlying coupon rate of 4.5%, maturity 15 December 2011 and a conversion price of US\$7.685 for Company shares.

In disclosing the convertible bonds in the Consolidated Financial Statements, the Company has accounted for them in accordance with Australian Accounting Standards. Under these standards the convertible bonds are essentially both a liability (underlying bond) and an equity instrument (conversion rights into Company shares).

Based on this allocation of the convertible bonds, US\$212.2 million has been initially allocated to interest bearing loans and borrowings in non-current liabilities (underlying effective interest rate of 8.75%) and US\$37.8 million to non-distributable convertible bond reserve in equity. A deferred tax liability of US\$11.3 million has been recognised through reserves which relates to the equity component of the bond and this deferred tax liability reverses to the Income Statement over the term of the bond.

On 11 March 2008, the Company issued US\$325 million in convertible bonds with an underlying coupon rate of 5.0%, maturity 11 March 2013 and a conversion price of US\$6.59 for Company shares.

In disclosing the convertible bonds in the Consolidated Financial Statements, the Company has accounted for them in accordance with Australian Accounting Standards. Under these standards the convertible bonds are treated as both a liability (underlying bond) and an equity instrument (conversion rights into Company shares).

Based on this treatment of the convertible bonds, US\$307.1 million has been allocated to interest bearing loans and borrowings in non-current liabilities (underlying effective interest rate of 7.13%) and US\$17.8 million to non-distributable convertible bond reserve in equity. A deferred tax liability for the bonds of US\$5.4 million has been recognised through reserves which relates to the equity component of the bond and this deferred tax liability reverses to the Income Statement over the term of the bond.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 19. INTEREST BEARING LOANS AND BORROWINGS (continued)

Secured bank loan

During the year ended 30 June 2006 the Consolidated Entity completed project finance facilities amounting to US\$71 million for construction of the Langer Heinrich Uranium Project. The financing has been provided by Société Générale Australia Branch (as lead arranger), Nedbank Capital and Standard Bank Plc and consists of a 7 year Project Finance Facility of US\$65 million and a Standby Cost Overrun Facility of US\$6 million. The Project Finance Facility bears interest at the London Interbank Offered Rate (LIBOR) plus 3.5% up to and including practical completion of the project, and the interest cost reduces to LIBOR plus 2.5% after practical completion. No requirement for political risk insurance exists under the terms of the Project Finance Facility. The facilities are secured with fixed and floating charges over the assets of Langer Heinrich Uranium (Pty) Ltd and its immediate holding companies. Paladin Energy Ltd has provided a project completion guarantee as part of the facilities.

At 30 June 2008 US\$66.3 million (2007: US\$66.6 million) had been drawn of the project finance facilities, following principal repayments of US\$4.6m, leaving available facilities of US\$Nil (2007: US\$4.4 million).

Deferred borrowing costs capitalised during the year relating to establishment of facilities

Consolidated Entity – US\$9.9 million (2007: US\$8.3 million)

Parent Entity – US\$9.8 million (2007: US\$8.0 million)

100% of borrowing costs incurred for the construction of any qualifying asset are capitalised.

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Total facilities:				
Unsecured convertible bonds	575.0	250.0	575.0	250.0
Secured bank loans	66.3	71.0	-	-
	641.3	321.0	575.0	250.0
Facilities used at reporting date				
Unsecured convertible bonds	575.0	250.0	575.0	250.0
Secured bank loans	66.3	66.6	-	-
	641.3	316.6	575.0	250.0
Facilities unused at reporting date				
Unsecured convertible bonds	-	-	-	-
Secured bank loans	-	4.4	-	-
	-	4.4	-	-
Total facilities				
Facilities used at reporting date	641.3	316.6	575.0	250.0
Facilities unused at reporting date	-	4.4	-	-
	641.3	321.0	575.0	250.0

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 19. INTEREST BEARING LOANS AND BORROWINGS (continued)

Assets pledged as security

The carrying amounts of assets pledged as security for non current interest bearing liabilities (secured bank loans) are:

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
Current				
<i>Floating charge</i>				
-Cash and cash equivalents	14.4	2.6	-	-
-Trade and other receivables	35.8	7.7	-	-
-Inventories	37.1	13.4	-	-
Total current assets pledged as security	87.3	23.7	-	-
Non current				
-Property, plant and equipment	109.6	108.3	-	-
-Exploration and evaluation expenditure	-	-	-	-
-Deferred tax asset	11.6	10.4	-	-
-Intangible assets	16.6	17.6	-	-
Total non current assets pledged as security	137.8	136.3	-	-
Total assets pledged as security	225.1	160.0	-	-

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 20. PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Current				
Rehabilitation	-	2.0	-	-
Sales contracts	-	7.8	-	-
Employee benefits (Note 27)	<u>1.5</u>	<u>0.8</u>	<u>1.0</u>	<u>0.5</u>
Total current provisions	<u>1.5</u>	<u>10.6</u>	<u>1.0</u>	<u>0.5</u>
Non Current				
Employee benefits (Note 27)	0.1	0.1	0.1	-
Rehabilitation provision	4.4	-	-	-
Mine closure	<u>3.9</u>	<u>3.0</u>	<u>-</u>	<u>-</u>
Total non current provisions	<u>8.4</u>	<u>3.1</u>	<u>0.1</u>	<u>-</u>

For a description of the nature and timing of cash flows associated with the above provisions, refer to section (b) below :

(a) Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below :-

	Rehabilitation US\$m	Sales Contracts US\$m	Mine Closure US\$m	Total US\$m
Consolidated				
At 1 July 2007	2.0	7.8	3.0	12.8
Arising during the year	2.6	-	1.3	3.9
Utilised	-	(7.8)	-	(7.8)
Foreign currency movements	<u>(0.2)</u>	<u>-</u>	<u>(0.4)</u>	<u>(0.6)</u>
At 30 June 2008	<u>4.4</u>	<u>-</u>	<u>3.9</u>	<u>8.3</u>
Current 2008	-	-	-	-
Non current 2008	<u>4.4</u>	<u>-</u>	<u>3.9</u>	<u>8.3</u>
	<u>4.4</u>	<u>-</u>	<u>3.9</u>	<u>8.3</u>
Current 2007	2.0	7.8	-	9.8
Non current 2007	<u>-</u>	<u>-</u>	<u>3.0</u>	<u>3.0</u>
	<u>2.0</u>	<u>7.8</u>	<u>3.0</u>	<u>12.8</u>

(b) Nature and timing of provisions**(i) Rehabilitation**

A provision for rehabilitation has been recorded in relation to Langer Heinrich Uranium Project. A provision is made for rehabilitation work when the obligation arises and this is recognised as a cost of production or development as appropriate.

In 2007 the intention was to commence rehabilitation work on the original pit. Subsequently it was determined that the lifespan of this pit will be much longer than anticipated which has resulted in the liability changing from current to non current.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 20. PROVISIONS (continued)

(b) Nature and timing of provisions (continued)

(ii) Sales contracts

A provision for sales contracts is recognised when the expected benefits to be derived by the Group from a sales contract are lower than the unavoidable cost of meeting the obligations under the sales contract. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract. At 30 June 2007 a US\$7.8 million sales contract provision was recognised attributable to the requirement to meet July 2007 Langer Heinrich sales commitments by use of third party uranium purchases. This provision was fully utilised during the year (refer to Note 4(e)⁽¹⁾).

(iii) Mine closure

A provision for mine closure has been recorded in relation to the Langer Heinrich Uranium Project for the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the infrastructure to a state acceptable to various authorities. Final mine closure is not expected until the cessation of operations, currently estimated to be beyond 2020.

(iv) Employee benefits

Refer to Note 27.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 21. CONTRIBUTED EQUITY AND RESERVES

(a) Issued and paid up capital

	Number of Shares		CONSOLIDATED/ PARENT ENTITY	
	2008	2007	2008 US\$m	2007 US\$m
Ordinary shares				
Issued and fully paid	613,497,369	602,437,369	1,088.4	1,075.3

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in ordinary shares on issue

Date		Number of Shares	Issue Price A\$	Exchange Rate US\$: A\$	Total US\$m
	Balance 30 June 2006	454,235,713			112.3
July 2006	Option conversions	350,000	1.00	1.27647	0.3
July 2006	Option conversions	300,000	1.25	1.27647	0.3
August 2006	Option conversions	400,000	1.00	1.27647	0.3
September 2006	Option conversions	600,000	1.00	1.27647	0.5
September 2006	Option conversions	6,000	1.50	1.27647	-
September 2006	Valhalla acquisition	37,151,830	5.09	1.27647	148.1
October 2006	Valhalla acquisition	822,426	5.09	1.27647	3.3
October 2006	Option conversions	3,400,000	1.00	1.27647	2.6
November 2006	Option conversions	2,090,000	1.00	1.27647	1.6
November 2006	Option conversions	1,000,000	1.25	1.27647	1.0
November 2006	Option conversions	4,000	1.50	1.27647	-
December 2006	Functional currency Transition adjustment ⁽¹⁾				3.8
December 2006	Option conversions	590,000	1.00	1.27175	0.4
January 2007	Option conversions	30,000	2.80	1.26855	0.1
March 2007	Summit acquisition	691,117	9.52	1.24395	5.3
April 2007	Option conversions	275,000	1.00	1.23753	0.3
April 2007	Summit acquisition	71,633,205	9.70	1.20060	579.0
May 2007	Summit acquisition	27,825,681	9.04	1.21269	207.4
June 2007	Summit acquisition	1,007,397	8.60	1.21219	7.2
June 2007	Option conversions	25,000	1.00	1.21215	-
	Transfer from reserves				1.8
	Less: Share issue costs				(0.3)
	Balance 30 June 2007	602,437,369			1,075.3

⁽¹⁾ Adjustment relates to the transition from a functional and presentation currency of Australian dollars to functional and presentation currency of United States dollars – refer Note 2(f)(i).

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 21. CONTRIBUTED EQUITY AND RESERVES (continued)

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

Date		Number of Shares	Issue Price A\$	Exchange Rate US\$: A\$	Total US\$m
	Balance 30 June 2007	602,437,369			1,075.3
September 2007	Option conversions	250,000	1.00	1.22122	0.2
November 2007	Option conversions	50,000	1.00	1.08369	0.1
November 2007	Option conversions	3,270,000	1.00	1.08369	3.0
December 2007	Option conversions	7,000,000	1.00	1.12974	6.2
April 2008	Option conversions	100,000	1.50	1.09343	0.1
April 2008	Option conversions	94,600	2.80	1.09343	0.3
June 2008	Option conversions	90,000	1.50	1.04671	0.1
June 2008	Option conversions	200,000	2.80	1.04671	0.5
June 2008	Option conversions	5,400	2.80	1.04671	-
	Transfer from reserves				2.6
	Balance 30 June 2008	613,497,369			1,088.4

(c) Issued options

	Number of Options	
	2008	2007
(i) Exercisable at A\$1.00, on or before 30 November 2007 (granted 30 November 2004)		
Balance at 1 July	3,570,000	8,050,000
Exercised during year	(3,570,000)	(4,480,000)
Balance at 30 June	-	3,570,000

Vest on positive outcome for Langer Heinrich Uranium Project Bankable Feasibility Study together with completion of acceptable project funding. Vesting conditions were met by 30 June 2006.

In July 2006 350,000 options above were exercised raising A\$350,000 (US\$274,194) in contributed equity and at the time of exercise the shares had a market value of A\$1,456,000.

In August 2006 400,000 options above were exercised raising A\$400,000 (US\$313,364) in contributed equity and at the time of exercise the shares had a market value of A\$1,816,000.

In September 2006 600,000 options above were exercised raising A\$600,000 (US\$470,046) in contributed equity and at the time of exercise the shares had a market value of A\$2,640,000.

In October 2006 150,000 options above were exercised raising A\$150,000 (US\$117,512) in contributed equity and at the time of exercise the shares had a market value of A\$866,500.

In November 2006 2,090,000 options above were exercised raising A\$2,090,000 (US\$1,637,328) in contributed equity and at the time of exercise the shares had a market value of A\$14,880,800.

In December 2006 590,000 options above were exercised raising A\$590,000 (US\$463,928) in contributed equity and at the time of exercise the shares had a market value of A\$4,708,200.

In April 2007 275,000 options above were exercised raising A\$275,000 (US\$222,217) in contributed equity and at the time of exercise the shares had a market value of A\$2,655,500.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 21. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Issued options (continued)

In June 2007 25,000 options above were exercised raising A\$25,000 (US\$20,625) in contributed equity and at the time of exercise the shares had a market value of A\$206,500.

In September 2007 250,000 options above were exercised raising A\$250,000 (US\$204,713) in contributed equity and at the time of exercise the shares had a market value of A\$1,450,000.

In November 2007 50,000 options above were exercised raising A\$50,000 (US\$46,139) in contributed equity and at the time of exercise the shares had a market value of A\$358,500.

In November 2007 3,270,000 options above were exercised raising A\$3,270,000 (US\$3,017,468) in contributed equity and at the time of exercise the shares had a market value of A\$22,236,000.

	Number of Options	2008	2007
(ii) Exercisable at A\$1.00, on or before 20 December 2007 (granted 20 December 2004)			
Balance at 1 July	7,000,000	10,250,000	
Exercised during year	(7,000,000)	(3,250,000)	
Balance at 30 June	-	7,000,000	

Vest on positive outcome for Langer Heinrich Uranium Project Bankable Feasibility Study together with completion of acceptable project funding. Vesting conditions were met by 30 June 2006.

In October 2006 3,250,000 options above were exercised raising A\$3,250,000 (US\$2,546,084) in contributed equity and at the time of exercise the shares had a market value of A\$16,737,500.

In December 2007 7,000,000 options above were exercised raising A\$7,000,000 (US\$6,196,116) in contributed equity and at the time of exercise the shares had a market value of A\$43,120,000

	Number of Options	2008	2007
(iii) Exercisable at A\$1.25, on or before 30 November 2007 (granted 30 November 2004)			
Balance at 1 July	-	1,300,000	
Exercised during year	-	(1,300,000)	
Balance at 30 June	-	-	

Vest on positive outcome for Langer Heinrich Uranium Project Bankable Feasibility Study together with completion of acceptable project funding. Vesting conditions were met by 30 June 2006.

In July 2006 300,000 options above were exercised raising A\$375,000 (US\$293,779) in contributed equity and at the time of exercise the shares had a market value of A\$1,248,000.

In November 2006 1,000,000 options above were exercised raising A\$1,250,000 (US\$979,263) in contributed equity and at the time of exercise the shares had a market value of A\$7,120,000.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 21. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Issued options (continued)

	Number of Options	
	2008	2007
(iv) Exercisable at A\$1.50, on or before 15 July 2008 (granted 15 July 2005)		
Balance at 1 July	190,000	200,000
Exercised during year	(190,000)	(10,000)
Balance at 30 June	-	190,000

Vest on positive outcome for Langer Heinrich Uranium Project Bankable Feasibility Study together with completion of acceptable project funding. Vesting conditions were met by 30 June 2006.

In September 2006 6,000 options above were exercised raising A\$9,000 (US\$7,051) in contributed equity and at the time of exercise the shares had a market value of A\$26,400.

In November 2006 4,000 options above were exercised raising A\$6,000 (US\$4,700) in contributed equity and at the time of exercise the shares had a market value of A\$27,000.

In April 2008 100,000 options above were exercised raising A\$150,000 (US\$137,183) in contributed equity and at the time of exercise the shares had a market value of A\$430,000.

In June 2008 90,000 options above were exercised raising A\$135,000 (US\$128,976) in contributed equity and at the time of exercise the shares had a market value of A\$536,400.

	Number of Options	
	2008	2007
(v) Exercisable at A\$2.80, on or before 13 January 2009 (granted 13 January 2006 to 16 February 2006) (900,000 vest 13 January 2007 and 1,950,000 vest 13 January 2008).		
Balance at 1 July	2,820,000	2,850,000
Exercised during year	(300,000)	(30,000)
Balance at 30 June	2,520,000	2,820,000

In January 2007 30,000 options above were exercised raising A\$84,000 (US\$66,217) in contributed equity and at the time of exercise the shares had a market value of A\$261,000.

In April 2008 94,600 options above were exercised raising A\$264,880 (US\$242,247) in contributed equity and at the time of exercise the shares had a market value of A\$406,780.

In June 2008 205,400 options above were exercised raising A\$575,120 (US\$549,455) in contributed equity and at the time of exercise the shares had a market value of A\$1,224,184.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 21. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Issued options (continued)

		Number of Options	
		2008	2007
(vi)	Exercisable at A\$5.50, on or before 28 April 2009 (granted 27 April 2006) (782,500 vest 31 October 2007 and 782,500 vest 31 October 2008).		
	Balance at 1 July	1,565,000	1,565,000
	Balance at 30 June	1,565,000	1,565,000
(vii)	Exercised at A\$5.50 on or before 5 July 2009 (granted 5 July 2006 to 20 July 2006) (700,000 vest 5 January 2008 and 700,000 vest 5 January 2009).		
	Balance at 1 July	1,400,000	-
	Granted during year	-	1,400,000
	Balance at 30 June	1,400,000	1,400,000
(viii)	Exercisable at A\$8.77 on or before 1 February 2012 (granted 1 February 2007) (2,733,670 vest 1 February 2010)		
	Balance at 1 July	2,733,670	-
	Granted during year	-	2,733,670
	Balance at 30 June	2,733,670	2,733,670
(ix)	Exercisable at A\$8.77 on or before 29 June 2012 (granted 29 June 2007) (400,000 vest 29 June 2010)		
	Balance at 1 July	400,000	-
	Granted during year	-	400,000
	Lapsed during year	(400,000)	-
	Balance at 30 June	-	400,000
(x)	Exercisable at A\$4.50 on or before 29 Jan 2013 (granted 29 Jan 2008) (8,541,620 vest 29 Jan 2011)		
	Balance at 1 July	-	-
	Granted during year	8,541,620	-
	Lapsed during year	(408,212)	-
	Balance at 30 June	8,133,402	-

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 21. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Issued options (continued)

		Number of Options	
		2008	2007
(xi)	Exercisable at A\$5.37 on or before 15 Feb 2011		
	(granted 15 Feb 2008)		
	(700,000 vest 15 Feb 2009)		
	Balance at 1 July	-	-
	Granted during year	700,000	-
	Balance at 30 June	700,000	-
(xii)	Exercisable at A\$5.37 on or before 15 Feb 2013		
	(granted 15 Feb 2008)		
	(525,000 vest 15 Feb 2011)		
	Balance at 1 July	-	-
	Granted during year	525,000	-
	Lapsed during year	(25,000)	-
	Balance at 30 June	500,000	-
(xiii)	Exercisable at A\$4.59 on or before 18 April 2013		
	(granted 18 April 2008)		
	(1,075,000 vest 18 April 2011)		
	Balance at 1 July	-	-
	Granted during year	1,075,000	-
	Balance at 30 June	1,075,000	-
(xiv)	Exercisable at A\$5.27 on or before 18 June 2013		
	(granted 18 June 2008)		
	(450,000 vest 18 June 2011)		
	Balance at 1 July	-	-
	Granted during year	450,000	-
	Balance at 30 June	450,000	-

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 21. CONTRIBUTED EQUITY AND RESERVES (continued)

(d) Reserves

	Listed option application reserve US\$m	Share based payments reserve US\$m	Available for sale reserve US\$m	Foreign currency translation reserve US\$m	Convertible bond non-distributable reserve US\$m	Acquisition reserve US\$m	Total US\$m
CONSOLIDATED							
At 1 July 2006	0.1	5.0	3.4	(3.4)	-	-	5.1
Net unrealised movement on available-for-sale investments	-	-	37.5	-	-	-	37.5
Share based payments	-	4.4	-	-	-	-	4.4
Functional currency transition adjustment	-	-	-	3.7	-	-	3.7
Foreign currency translation	-	0.3	3.2	30.0	-	-	33.5
Convertible bonds – equity component	-	-	-	-	37.8	-	37.8
Acquisition of Summit Resources Ltd	-	-	-	-	-	14.9	14.9
Income tax	-	-	(12.4)	-	(11.3)	-	(23.7)
At 30 June 2007	0.1	9.7	31.7	30.3	26.5	14.9	113.2
Net unrealised movement on available-for-sale investments	-	-	(44.6)	-	-	-	(44.6)
Share based payments	-	8.1	-	-	-	-	8.1
Foreign currency translation	-	-	7.0	124.6	-	-	131.6
Convertible bonds – equity component	-	-	-	-	17.8	-	17.8
Income tax	-	-	13.4	-	(5.4)	-	8.0
At 30 June 2008	0.1	17.8	7.5	154.9	38.9	14.9	234.1

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 21. CONTRIBUTED EQUITY AND RESERVES (continued)

(d) Reserves (continued)

	Listed option application reserve	Share based payments reserve	Available for sale reserve	Convertible bond non- distributable reserve	Foreign currency translation reserve	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
PARENT						
At 1 July 2006	0.1	5.0	-	-	(3.1)	2.0
Functional currency transition adjustment	-	-	-	-	3.1	3.1
Foreign currency translation	-	0.3	1.7	-	-	2.0
Convertible bonds – equity component	-	-	-	37.8	-	37.8
Income tax	-	-	(5.6)	(11.3)	-	(16.9)
Net unrealised movement on available for-sale investments	-	-	18.6	-	-	18.6
Share based payments	-	4.4	-	-	-	4.4
At 30 June 2007	0.1	9.7	14.7	26.5	-	51.0
Foreign currency translation	-	-	4.7	-	-	4.7
Convertible bonds – equity component	-	-	-	17.8	-	17.8
Income tax	-	-	8.5	(5.4)	-	3.1
Net unrealised movement on available for-sale investments	-	-	(28.4)	-	-	(28.4)
Share based payments	-	8.1	-	-	-	8.1
At 30 June 2008	0.1	17.8	(0.5)	38.9	-	56.3

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 21. CONTRIBUTED EQUITY AND RESERVES (continued)

(d) Reserves (continued)

Nature and purpose of reserves

Listed option application reserve

This reserve consists of proceeds from the issue of listed options, net of expenses of issue. These listed options expired unexercised and no restriction exists for the distribution of this reserve.

Share based payments reserve

This reserve is used to record the value of equity benefits provided to Directors, employees and consultants as part of their remuneration. Refer to Note 29 for further details on share based payments.

Available-for-sale reserve

This reserve records the fair value changes on the available-for-sale financial assets as set out in Note 10(b).

Foreign currency translation reserve

This reserve is used to record exchange differences arising on translation of the group entities that do not have a functional currency of United States dollars and have been translated into United States dollars for presentation purposes, as described in Note 2(f).

Convertible bond non-distributable reserve

This reserve records the equity portion of the convertible bonds issued on 15 December 2006 and on 11 March 2008, as described in Note 19.

Acquisition reserve

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2008

NOTE 22. MINORITY INTERESTS

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Minority interests comprise:				
Share capital	11.0	11.0	-	-
Opening accumulated losses	(6.9)	(6.5)	-	-
Reserves	204.9	180.7	-	-
Current period loss	(1.2)	(0.4)	-	-
Total minority interests	<u>207.8</u>	<u>184.8</u>	<u>-</u>	<u>-</u>

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 23. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives & policies

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- Meet all its financial commitments and;
- Maintain the capacity to fund corporate growth activities

The Group monitors its forecast financial position on a regular basis.

Market, liquidity and credit risk (including foreign exchange, commodity price and interest rate risk) arise in the normal course of the Group's business. These risks are managed under Board approved directives which underpin treasury practices and processes. The Group's principal financial instruments, comprise interest bearing debt, US treasury bills (a negotiable US government security with a maturity of less than one year that pays no periodic interest, but yields the difference between its par value and its discounted purchase price), cash and short term deposits. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

The Group's forecast financial risk position with respect to key financial objectives and compliance with treasury practice are regularly reported to the Board.

(b) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the Group's functional currency.

The Group's borrowings and deposits are largely denominated in US dollars. Currently there are no foreign exchange hedge programmes in place, however, the Group treasury function manages the purchase of foreign currency to meet operational requirements.

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

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
Financial assets				
Cash and cash equivalents	6.9	10.7	1.5	0.4
Trade and other receivables	4.0	3.9	9.3	3.3
Financial and other assets	42.7	59.9	26.1	33.6
	<u>53.6</u>	<u>74.5</u>	<u>36.9</u>	<u>37.3</u>
Financial liabilities				
Trade and other payables	6.8	6.1	3.2	2.9
	<u>6.8</u>	<u>6.1</u>	<u>3.2</u>	<u>2.9</u>

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 23. FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

The financial instruments exposed to movements in the US dollar/Namibian dollar are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$
Financial assets				
Cash and cash equivalents	3.2	2.4	-	-
Trade and other receivables	6.2	4.3	-	-
Financial and other assets	-	-	-	-
	<u>9.4</u>	<u>6.7</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Trade and other payables	<u>8.5</u>	<u>5.7</u>	<u>-</u>	<u>-</u>
	<u>8.5</u>	<u>5.7</u>	<u>-</u>	<u>-</u>

The following table summarises the sensitivity of financial instruments held at balance date to movements in the exchange rate of the Australian dollar to the US dollar and the Namibian dollar to the US dollar, with all other variables held constant. The 5% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding 5 year period.

	Impact on Profit				Impact on Equity			
	Consolidated		Parent Entity		Consolidated		Parent Entity	
	2008	2007	2008	2007	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Post – Tax gain/loss								
AUD/USD +5%	(0.8)	(1.1)	(1.1)	(1.1)	(0.7)	(1.1)	-	-
AUD/USD -5%	0.9	1.2	1.2	1.3	0.8	1.3	-	-

	Impact on Profit				Impact on Equity			
	Consolidated		Parent Entity		Consolidated		Parent Entity	
	2008	2007	2008	2007	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Post – Tax gain/loss								
NAD/USD +5%	-	-	-	-	-	-	-	-
NAD/USD -5%	-	-	-	-	-	-	-	-

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 23. FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate debt or opportunity losses that may arise on fixed rate borrowings in a falling interest rate environment. Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

The Group's main interest rate risk arises from long term debt. Floating rate debt exposes the Group to cash flow interest rate risk and fixed rate debt exposes the Group to fair value interest rate risk. All other financial assets and liabilities in the form of receivables, investments in shares, payables and provisions, are non interest bearing.

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

The financial instruments exposed to movements in interest rates are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Financial assets				
Cash and cash equivalents	337.5	182.8	317.4	169.7
Trade and other receivables	-	-	106.1	47.2
	<u>337.5</u>	<u>182.8</u>	<u>423.5</u>	<u>216.9</u>
Financial liabilities				
Interest- bearing liabilities	66.3	66.6	-	-
	<u>66.3</u>	<u>66.6</u>	<u>-</u>	<u>-</u>

The following table summarises the sensitivity of the fair value of financial instruments held at balance sheet date, following a movement to LIBOR, with all other variables held constant. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding 5 year period. The sensitivity analysis below excludes impact on borrowing costs arising from interest bearing liabilities as these are capitalised as part of long-term qualifying development projects.

	IMPACT ON PROFIT			
	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Post-Tax Gain/Loss				
LIBOR +1%	1.8	0.8	3.0	1.5
LIBOR -1%	(1.8)	(0.8)	(3.0)	(1.5)

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 23. FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iii) Market price risk

Price risk is the risk that the Group's financial position will be adversely affected by movements in the market value of its available-for-sale financial assets.

The financial instruments exposed to movements in market value are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Financial assets				
Other financial assets	41.7	60.3	26.6	34.1

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

The following table summarises the sensitivity of financial instruments held at balance date to movements in the market price of available-for-sale financial instruments, with all other variables held constant the 10% sensitivity is based on reasonable possible changes, over a financial year, using the observed range of actual historical prices for 2008 and 2007.

	IMPACT ON EQUITY			
	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Post-Tax Gain/Loss				
Market price +10%	4.1	6.5	2.5	3.4
Market price -10%	(4.1)	(6.5)	(2.5)	(3.4)

(c) Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet our financial commitments in a timely and cost effective manner.

The Group Treasury Function continually reviews our liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. Notes 23 (e) and (f) detail the repayment obligations in respect of the amount of the facilities.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 23. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

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

Payables ageing analysis					
	Total	6 mths	6-12 mths	1-5 years	>5 year
2008	US\$m	US\$m	US\$m	US\$m	US\$m
Consolidated					
Trade and other payables	41.4	41.4	-	-	-
Loans and borrowings	641.3	5.6	6.6	629.1	-
Interest payable	145.3	16.3	16.1	112.9	-
Total payables	828.0	63.3	22.7	742.0	-
Parent Entity					
Trade and other payables	7.5	7.5	-	-	-
Loans and borrowings	575.0	-	-	575.0	-
Interest payable	131.4	13.7	13.7	104.0	-
Total payables	713.9	21.2	13.7	679.0	-

Payables ageing analysis					
	Total	6 mths	6-12 mths	1-5 years	>5 year
2007	US\$m	US\$m	US\$m	US\$m	US\$m
Consolidated					
Trade and other payables	13.8	13.8	-	-	-
Loans and borrowings	316.6	-	4.6	307.7	4.3
Interest payable	81.4	8.7	8.4	64.3	-
Total payables	411.8	22.5	13.0	372.0	4.3
Parent Entity					
Trade and other payables	2.8	2.8	-	-	-
Loans and borrowings	250.0	-	-	250.0	-
Interest payable	61.6	5.6	5.6	50.4	-
Total payables	314.4	8.4	5.6	300.4	-

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 23. FINANCIAL INSTRUMENTS (continued)

(d) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure. The Group trades only with recognised, credit worthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The maximum exposure to credit risk at the reporting date was as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Current				
Trade receivables	28.7	3.3	-	-
Other receivables – controlled entities	-	-	-	-
Other receivables – other entities	6.3	2.7	9.4	2.0
	35.0	6.0	9.4	2.0
Non-Current				
Unsecured loans to wholly owned group	-	-	-	-
	35.0	6.0	9.4	2.0

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

	Receivables ageing analysis				
	Total	6 mths	6-12 mths	1-5 years	>5 year
2008	US\$m	US\$m	US\$m	US\$m	US\$m
Consolidated					
Trade receivables	28.7	28.7	-	-	-
Other receivables	6.3	6.3	-	-	-
Total receivables	35.0	35.0	-	-	-
Parent Entity					
Other receivables	9.4	9.4	-	-	-
Unsecured loans to wholly owned group	-	-	-	-	-
Total receivables	9.4	9.4	-	-	-

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 23. FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

Receivables ageing analysis					
	Total	6 mths	6-12 mths	1-5 years	>5 year
2007	US\$m	US\$m	US\$m	US\$m	US\$m
Consolidated					
Trade receivables	3.3	3.3	-	-	-
Other receivables	2.7	2.7	-	-	-
Total receivables	6.0	6.0	-	-	-
Parent Entity					
Other receivables	2.0	2.0	-	-	-
Unsecured loans to wholly owned group	-	-	-	-	-
Total receivables	2.0	2.0	-	-	-

(e) Financing facilities

Bonds

Unsecured convertible bonds

On 15 December 2006, the Company issued US\$250 million in convertible bonds with an underlying coupon rate of 4.5%, maturity 15 December 2011 and a conversion price of US\$7.685 for Company shares.

On 11 March 2008, the Company issued US\$325 million in convertible bonds with an underlying coupon rate of 5.0%, maturity 11 March 2013 and a conversion price of US\$6.59 for Company shares.

Secured bank loan

During the year ended 30 June 2006 the Consolidated Entity completed project finance facilities amounting to US\$71 million for construction of the Langer Heinrich Uranium Project. The financing has been provided by Société Générale Australia Branch (as lead arranger), Nedbank Capital and Standard Bank Plc and consists of a 7 year Project Finance Facility of US\$65 million and a Standby Cost Overrun Facility of US\$6 million. The Project Finance Facility bears interest at the London Interbank Offered Rate (LIBOR) plus 3.5% up to and including practical completion of the project, and the interest cost reduces to LIBOR plus 2.5% after practical completion. No requirement for political risk insurance exists under the terms of the Project Finance Facility. The facilities are secured with fixed and floating charges over the assets of Langer Heinrich Uranium (Pty) Ltd and its immediate holding companies. Paladin Energy Ltd has provided a project completion guarantee as part of the facilities.

At 30 June 2008 US\$66.3 million (2007: US\$66.6 million) had been drawn of the project finance facilities leaving available facilities of US\$Nil (2007: US\$4.4 million). A principal repayment of US\$4.6 million was paid during the year.

In disclosing the convertible bonds in the Consolidated Financial Statements, the Company has accounted for them in accordance with Australian Accounting Standards. Under these standards the convertible bonds are treated as both a liability (underlying bond) and an equity instrument (conversion rights into Company shares).

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 23. FINANCIAL INSTRUMENTS (continued)

(e) Financing facilities (continued)

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
Total facilities:				
Unsecured convertible bonds	575.0	250.0	575.0	250.0
Secured bank loans	66.3	71.0	-	-
	641.3	321.0	575.0	250.0
Facilities used at reporting date				
Unsecured convertible bonds	575.0	250.0	575.0	250.0
Secured bank loans	66.3	66.6	-	-
	641.3	316.6	575.0	250.0
Facilities unused at reporting date				
Secured bank loans	-	4.4	-	-
	-	4.4	-	-
Total facilities				
Facilities used at reporting date	641.3	316.6	575.0	250.0
Facilities unused at reporting date	-	4.4	-	-
	641.3	321.0	575.0	250.0

Repayment obligations in respect of the amount of the facilities utilised are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
Due:				
No later than one year	12.2	5.6	-	-
Later than one year but not later than two years	14.2	1.2	-	-
Later than two years but not later than three	15.2	14.2	-	-
Later than three years but not later than four	266.2	15.2	250.0	-
Later than four years but not later than five	333.5	266.2	325.0	250.0
Later than five years	-	4.2	-	-
Total	641.3	316.6	575.0	250.0

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 23. FINANCIAL INSTRUMENTS (continued)

(f) Receivables & payables

The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined using valuation techniques. Such techniques include using recent arm's length market transactions and net asset values and by an external valuer using a binomial model.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

(g) Capital management

The Group treasury function is responsible for our capital management. This involves the use of corporate forecasting models which facilitates analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements. Group treasury monitors gearing and compliances with various contractual financial covenants. The gearing ratio as at balance date is 19%. The company's project finance facility is subject to various financial undertakings including a negative pledge, debt service coverage ratio, loan life coverage ratio and project life coverage ratio. At the time of reporting, the company was in compliance with all of the facility's financial undertakings.

(h) Fair value of financial assets and financial liabilities

The fair value representing the mark to market of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs.

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their carrying values, as a result of their short maturity or because they carry floating rates of interest.

The fair value of financial instruments traded in active markets such as publicly traded available-for-sale securities and the convertible bonds are based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Group is the current bid price.

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

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

	CONSOLIDATED/PARENT ENTITY			
	2008 US\$m		2007 US\$m	
	Carrying amount	Fair value	Carrying amount	Fair value
Convertible bonds	532.1	637.9	216.3	304.9

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (*UNAUDITED*)
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NOTE 23. FINANCIAL INSTRUMENTS (continued)

(i) Commodity price risk

Uranium is not traded in any significant volume on global commodity exchanges. The Consolidated Entity has customer sales contracts in place for 7.7mlbs for delivery over the period 2007 to 2012.

The contracted selling price is determined by a formula which references common industry published prices for spot and term contracts and are subject to an escalating floor price and also escalating ceiling prices.

Uranium purchased by the trading entity, Paladin Nuclear Limited, is valued at US\$31.8m at the lower of cost and net realisable value in accordance with our accounting policy for inventories.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 24. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Directors

Mr Rick Crabb	Chairman (Non-executive)
Mr John Borshoff	Managing Director
Mr Sean Llewelyn	Director (Non-executive)
Mr George Pirie	Director (Non-executive) (Resigned 9 July 2007)
Mr Ian Noble	Director (Non-executive)
Mr Donald Shumka	Director (Non-executive) (Appointed 9 July 2007)

(ii) Executives

Ms Gillian Swaby	Company Secretary
Mr Ron Chamberlain	Chief Financial Officer (Resigned 18 July 2008)
Mr Ross Glossop	Chief Financial Officer (Appointed 18 July 2008)
Mr Wyatt Buck	General Manager – Production & Langer Heinrich Operations
Mr James Eggins	General Manager – Sales and Contract Administration
Mr Dustin Garrow	Executive General Manager – Marketing
Mr David Marsh	General Manager – Technical Project Development
Mr Brendan O'Hara	General Manager – Special Projects & Risk Director
Mr Simon Solomons	Executive General Manager – Operations Development (Appointed 12 th January 2008)
Mr Andrew Morgan	General Manager – Project Construction (Appointed 1 July 2007)
Mr Ed Becker	General Manager – Geology & Exploration (Promoted 1 January 2008)
Ms Cathy Gupanis	General Manager – Sustainable Development (Appointed 1 May 2008)
Mr Greg Walker	General Manager – International Affairs (Appointed 7 January 2008)

(b) Compensation of Key Management Personnel: compensation by category

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Short-term	5,911	7,998	5,553	7,710
Post employment	158	81	121	81
Share-based payment	7,162	4,665	6,627	3,774
	<u>13,231</u>	<u>12,744</u>	<u>12,301</u>	<u>11,565</u>

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 24. KEY MANAGEMENT PERSONNEL (continued)

(c) Option Holdings of Key Management Personnel (Consolidated and Parent Entity)

	Balance at beginning of period 01 Jul 07	Granted as Remune- ration	Options Exercised	Net Change Other #	Balance at end of period 30 Jun 08	Vested/ Exercisable	Not vested/ Not Exercisable
30 June 2008							
Directors							
Mr Rick Crabb	3,250,000	-	(3,250,000)	-	-	-	-
Mr John Borshoff	5,250,000	1,250,000	(3,750,000)	-	2,750,000	-	2,750,000
Executives							
Ms Gillian Swaby	2,825,000	258,785	(2,750,000)	-	333,785	-	333,785
Mr Ron Chamberlain	235,700	100,545	(200,000)	-	136,245	-	136,245
Mr Wyatt Buck	1,150,000	201,533	-	-	1,351,533	1,000,000	351,533
Mr James Eggins	750,000	146,698	-	-	896,698	650,000	246,698
Mr Dustin Garrow	678,570	266,199	-	-	944,769	344,769	600,000
Mr David Marsh	1,100,000	140,654	-	-	1,240,654	500,000	740,654
Mr Brendan O'Hara	1,031,400	216,480	-	-	1,247,880	500,000	747,880
Mr Simon Solomons	-	600,000	-	-	600,000	-	600,000
Mr Andrew Morgan	-	235,296	-	450,000	685,296	150,000	535,296
Mr Eduard Becker	-	208,925	-	47,050	255,975	-	255,975
Ms Cathy Gupanis	-	25,000	-	175,000	200,000	-	200,000
Mr Greg Walker	-	450,000	-	-	450,000	-	450,000
Mr Ross Glossop	-	450,000	-	-	450,000	-	450,000
Total	16,270,670	4,550,115	(9,950,000)	672,050	11,542,835	3,144,769	8,398,066

Relates to holdings prior to appointment as a Key Management Personnel

	Balance at beginning of period 01 Jul 06	Granted as Remune- ration	Options Exercised	Net Change Other	Balance at end of period 30 Jun 07	Vested/ Exercisable	Not vested/ Not Exercisable
30 June 2007							
Directors							
Mr Rick Crabb	3,250,000	-	-	-	3,250,000	3,250,000	-
Mr John Borshoff	3,750,000	1,500,000	-	-	5,250,000	3,750,000	1,500,000
Executives							
Mr Garnet Halliday	3,000,000	-	(3,000,000)	-	-	-	-
Ms Gillian Swaby	2,750,000	75,000	-	-	2,825,000	2,750,000	75,000
Mr Ron Chamberlain	1,000,000	35,700	(800,000)	-	235,700	-	235,700
Mr Wyatt Buck	1,000,000	150,000	-	-	1,150,000	500,000	650,000
Mr James Eggins	1,000,000	100,000	(350,000)	-	750,000	-	750,000
Mr Dustin Garrow	1,000,000	78,570	(400,000)	-	678,570	-	678,570
Mr David Marsh	1,000,000	100,000	-	-	1,100,000	-	1,100,000
Mr Brendan O'Hara	-	1,031,400	-	-	1,031,400	-	1,031,400
Total	17,750,000	3,070,670	(4,550,000)	-	16,270,670	10,250,000	6,020,670

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 24. KEY MANAGEMENT PERSONNEL (continued)

(d) Shareholdings of Key Management Personnel (Consolidated and Parent Entity)

Shares held in Paladin Energy Ltd (number)

30 June 2008	Balance 01 Jul 07	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 08
Directors					
Mr Rick Crabb	8,964,746	-	3,250,000	(6,633,218)	5,581,528
Mr John Borshoff	18,091,394	-	3,750,000	(250,000)	21,591,394
Mr Ian Noble	16,000	-	-	5,000	21,000
Executives					
Ms Gillian Swaby	10,216,140	-	2,750,000	(7,875,000)	5,091,140
Mr Ron Chamberlain	400,000	-	200,000	-	600,000
Mr Wyatt Buck	-	-	-	16,350	16,350
Mr James Eggins	325,000	-	-	(75,000)	250,000
Mr David Marsh	9,050	-	-	2,700	11,750
Mr Simon Solomons	-	-	-	1,000	1,000
Mr Eduard Becker	-	-	-	550,000	550,000
Total	38,022,330	-	9,950,000	(14,258,168)	33,714,162

No other Key Management Personnel held shares during the year ended 30 June 2008.

Mr Eduard Becker commenced as a Key Management Person on 1 January 2008 and as such this fact has been reflected in the net change other column.

30 June 2007	Balance 01 Jul 06	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 07
Directors					
Mr Rick Crabb	8,964,746	-	-	-	8,964,746
Mr John Borshoff	18,091,394	-	-	-	18,091,394
Mr Ian Noble	16,000	-	-	-	16,000
Executives					
Mr Garnet Halliday	125,000	-	3,000,000	(3,125,000)	-
Ms Gillian Swaby	10,216,140	-	-	-	10,216,140
Mr Ron Chamberlain	-	-	800,000	(400,000)	400,000
Mr James Eggins	25,000	-	350,000	(50,000)	325,000
Mr Dustin Garrow	-	-	400,000	(400,000)	-
Mr David Marsh	-	-	-	9,050	9,050
Total	37,438,280	-	4,550,000	(3,965,950)	38,022,330

No other Key Management Personnel held shares during the year ended 30 June 2007.

Mr Garnet Halliday deceased on 8 March 2007 and as such is no longer required to be disclosed in the above table and this fact has been reflected in the net change other column.

All equity transactions with Key Management Personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Consolidated Entity would have adopted if dealing at arm's length.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 24. KEY MANAGEMENT PERSONNEL (continued)

(e) Other Transactions and Balances with Key Management Personnel

Fees paid in the normal course of business in 2008 for company secretarial services totalling US\$380,034 (2007: US\$235,878) were paid/payable (balance outstanding at 30 June 2008 and included in trade creditors US\$Nil (2007: US\$24,594)) to a company of which Ms Gillian Swaby is a director and shareholder. All amounts are excluding GST.

Fees paid in the normal course of business in 2008 for marketing consulting services totalling US\$Nil (2007: US\$130,571) were paid/payable (balance outstanding at 30 June 2008 and included in trade creditors US\$Nil (2007: US\$Nil)) to a company of which Mr Dustin Garrow is a director and shareholder.

Amounts recognised at the reporting date in relation to other transactions:

	CONSOLIDATED/ PARENT ENTITY	
	2008	2007
	US\$000	US\$000
Liabilities		
<i>Current liabilities</i>		
Trade and other payables	-	25
Expenses		
Other expenses	380	366

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 25. AUDITORS' REMUNERATION

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

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$000	2007 US\$000	2008 US\$000	2007 US\$000
<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>				
• Audit or review of the financial report of the entity and any other entity in the consolidated Group	480	255	419	206
• Other assurance services:				
Compilation report	3	12	3	12
Convertible bonds comfort letter	-	53	-	53
• Taxation services:				
Tax compliance services	99	-	99	-
International tax consulting	27	109	27	109
Tax advice on mergers and acquisitions	171	25	171	25
Other tax advice	10	23	10	23
Sub-total	790	477	729	428

Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:

• Audit or review of the financial report of subsidiaries	23	18	-	-
• Other assurance services:				
Malawi Development Agreement	5	3	-	-
• Taxation services:				
Tax compliance services	18	8	-	-
International tax consulting	-	2	-	-
	<u>836</u>	<u>508</u>	<u>729</u>	<u>428</u>

Amounts received or due and receivable by non Ernst & Young audit firms for:

• Audit or review of the financial report of subsidiaries	-	17	-	-
• Taxation services:				
Tax compliance services	17	1	-	-
• Other Non- Audit Services	<u>52</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>69</u>	<u>18</u>	<u>-</u>	<u>-</u>

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 26. COMMITMENTS AND CONTINGENCIES

There were no outstanding commitments or contingencies, which are not disclosed in the Financial Report of the Consolidated Entity and the Company as at 30 June 2008 other than:

(a) Tenements

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	2.6	2.6	-	-
Later than one year but not later than 5 years	-	-	-	-
More than 5 years	-	-	-	-
Total tenements commitment	2.6	2.6	-	-

These include commitments relating to tenement lease rentals and, the minimum expenditure requirements of the Namibia, Malawi, Western Australian, South Australian, Northern Territory and Queensland Mines Departments attaching to the tenements and are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made.

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

(b) Mine construction commitments

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
Commitments for mine construction contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	61.0	9.3	-	-
Later than one year but not later than 5 years	-	-	-	-
More than 5 years	-	-	-	-
Total mine construction	61.0	9.3	-	-

These commitments in 2008 relate to mine construction in Malawi and Stage 2 at the Langer Heinrich Uranium Project (2007: Malawi).

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 26. COMMITMENTS AND CONTINGENCIES (continued)

(c) Operating lease commitments

The Group has entered into various property leases relating to rental of offices and residential accommodation.

These non-cancellable leases have remaining terms of between 1 and 3 years. All leases include a clause to enable upward revision of rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Within one year	0.4	0.2	0.2	0.2
Later than one year but not later than 5 years	3.3	0.3	3.2	0.3
More than 5 years	2.7	-	2.7	-
Total operating lease commitment	6.4	0.5	6.1	0.5

(d) Acquisition costs

The Consolidated Entity acquired a call option on 19 June 1998 in relation to the purchase of the Oobagooma Uranium Project and, in turn, granted a put option to the original holder of the Project. Both the call and put options have an exercise price of A\$0.75 million (US\$0.7 million) and are subject to the Department of Minerals & Energy granting tenements comprising 2 exploration licence applications. The A\$0.75 million (US\$0.7 million) is payable by the Consolidated Entity within 10 business days of the later of the grant of the tenements or the exercise of either the call or put option. The options will expire 3 months after the date the tenements are granted.

In relation to the Manyingee Uranium Project, the re-negotiated acquisition terms provide for a payment of A\$0.75 million (US\$0.7 million) by the Consolidated Entity to the vendors when all project development approvals are further obtained.

(e) Bank guarantees

As at 30 June 2008 the Group has outstanding US\$57,630 (A\$60,000) (2007: US\$50,906 / A\$60,000) as a current guarantee provided by a bank for the corporate office lease.

(f) Legal actions

(i) Mt Isa Uranium Joint Venture

On the 3 August 2007 the Company's wholly owned subsidiary, Mt Isa Uranium Pty Ltd ("MIU") entered into a settlement agreement with respect to proceedings which had been commenced by Summit Resources (Aust) Pty Ltd (which had, by the time of the settlement, become ultimately 81.9% owned by the Company) against MIU and the unrelated entity, Resolute Pty Ltd ("Summit Proceedings"). The Summit Proceedings related to alleged breaches of confidentiality provisions in the Mt Isa Uranium Project joint venture agreement. If successful, Summit Resources (Aust) Pty Ltd would be entitled to the transfer of MIU's 50% interest in the Mt Isa Uranium Project joint venture for 85% of its market value.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 26. COMMITMENTS AND CONTINGENCIES (continued)

(f) Legal Actions (continued)

Areva NC (Australia) Pty Ltd ("Areva"), being a 10.01% shareholder of the parent company of Summit Resources (Aust) Pty Ltd subsequently applied to the Supreme Court of Western Australia for, relevantly, orders under Section 237 of the Corporations Act 2001 to be granted leave to intervene in and effectively re-open the Summit Proceedings, notwithstanding the settlement. The Areva intervention proceedings are ongoing and are listed for a trial commencing on 1 December 2008.

The Company does not expect the Areva intervention proceedings to be successful. In any event, even if the Summit Proceedings are re-opened as a consequence of the Areva intervention proceedings, Company has always remained confident that the Summit Proceedings could be successfully defended. Further, the Company has the benefit of an indemnity from Resolute Mining Ltd (the parent of Resolute Pty Ltd) and an ultimate 81.9% interest in Summit Resources (Aust) Pty Ltd. As a consequence, a change in the ownership of the 50% interest in the Mt Isa Uranium joint venture from MIU to Summit Resources (Aust) Pty Ltd would not be of significance to the Company.

(ii) Kayelekera Uranium Project, Malawi – Civil Societies' Action

All six Malawian Civil Society Organisations that commenced legal proceedings against Paladin Africa Ltd and the Government of Malawi have settled their action on a positive and amicable basis. The legal proceedings were formally withdrawn during the quarter ended 31 December 2007.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 27. EMPLOYEE BENEFITS

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Provision for annual leave and long service leave aggregate employment benefit liabilities	1.6	0.9	1.1	0.5

Employee numbers

	Number	Number
Average number of employees during the financial year	47	41

Superannuation

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

Employee Share Incentive Option Plan

Details of the Employee Share Incentive Option Plan for the Company are disclosed in Note 29.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (*UNAUDITED*)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 28. RELATED PARTIES

(a) Subsidiaries

Interests in subsidiaries are set out in Note 10(a).

(b) Ultimate parent

The ultimate Parent Entity in the wholly owned Group is Paladin Energy Ltd.

(c) Key management personnel

Details relating to key management personnel can be found at Note 24.

(d) Transactions with subsidiaries

Transactions entered into with subsidiaries during the years ended 30 June 2008 and 2007 consisted of:

- (a) sundry debtors receivable by the Company (Note 7(c));
- (b) loans advanced by the Company (Note 7(d));
- (c) loans advanced to the Company (Note 17);
- (d) the payment of interest on the loans advanced by the Company (Note 4(a)).

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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NOTE 29. SHARE-BASED PAYMENT PLAN

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2008 and 2007.

(a) Types of share-based payment plans

Employee Share Incentive Option Plan (ESOP)

On 23 March 2004, the Directors approved the ESOP.

Staff eligible to participate in the plan were those who had been continuously employed by the Company for a period of at least one year.

Options were granted under the plan for no consideration. Options were granted for a three year period, and 100% of each new tranche became exercisable after one year of the date of grant. Entitlements to the options were vested as soon as they become exercisable and performance conditions had been met. There were no cash settlement alternatives. Options granted under the plan carried no dividend or voting rights.

Following implementation of the EXSOP detailed below, no further options will be issued pursuant to the ESOP.

Executive Share Option Plan (EXSOP)

On 21 November 2006, the EXSOP was approved by shareholders at the Company's Annual General Meeting. The number of shares that may be issued under the EXSOP must not exceed 5% of the total number of shares on issue.

Share options are granted to employees under the EXSOP which is designed to create a stronger link between increasing shareholder value and employee reward. Under the EXSOP, the exercise price of the options is set at the market price of the shares on the date of grant and performance is measured by comparing the Company's Total Shareholder Return ('TSR') (share price appreciation plus dividends reinvested) with a group of peer companies. The Company's performance will be measured over three years from the date of grant. To the extent that maximum performance is not achieved under the performance condition, performance will be retested every six months following the first three years until the end of the fourth year.

In assessing whether the TSR hurdle for each grant has been met, the Group receives independent data from an external advisor, who provides both the Group's TSR growth from the commencement of each grant and that of the pre-selected peer group. The peer group chosen for comparison is the resource companies in the S&P/ASX200 Index at the date of grant. This peer group reflects the Group's competitors for capital and talent.

The Group's performance against the hurdle is determined according to Paladin Energy Ltd's ranking against the peer group TSR growth over the performance period.

- when Paladin Energy Ltd is ranked over the 75th percentile, 100% of the share options will vest;
- for rankings above the 50th and below the 75th percentile, the percentage of options to vest will be pro-rata between 50% and 100%;
- when Paladin Energy Ltd is ranked at the 50th percentile, 50% of the share options will vest;
- when Paladin Energy Ltd is ranked below the 50th percentile the share options will not vest.

When a participant ceases employment prior to the vesting of their share options, the share options are forfeited unless cessation of employment is due to termination initiated by the Group or death. In the event of a change of control all the awards will vest and may be exercised by the participant.

The contractual life of each option granted is five years. There are no cash settlement alternatives.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 29. SHARE BASED PAYMENT PLAN (continued)

(a) Types of share-based payment plans

The expense recognised in the Income Statement in relation to share-based payments is disclosed in Note 4(e).

(b) Summaries of options granted under ESOP and EXSOP arrangements:

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2008 No.	2008 WAEP A\$	2007 No.	2007 WAEP A\$
Outstanding at the beginning of the year	19,678,670	3.18	24,215,000	1.52
Granted during the year	11,291,620	4.63	4,533,670	7.76
Forfeited during the year	(833,218)	6.58	-	-
Exercised during the year	(11,060,000)	1 1.06	(9,070,000)	2 1.04
Expired during the year	-	-	-	-
Outstanding at the end of the year	<u>19,077,072</u>	<u>5.12</u>	<u>19,678,670</u>	<u>3.18</u>
Exercisable at the end of the year	4,002,500	3.80	11,630,000	1.14

1. The weighted average share price at the date of exercise is A\$6.31

2. The weighted average share price at the date of exercise is A\$6.03

The outstanding balance as at 30 June 2008 represented by:

Date options granted	Exercisable	Expiry date	Exercise price of options	Number under option
13 January 2006	13 January 07	13 January 2009	A\$2.80	170,000
13 January 2006	13 January 08	13 January 2009	A\$2.80	650,000
19 January 2006	13 January 08	13 January 2009	A\$2.80	600,000
16 February 2006	13 January 07	13 January 2009	A\$2.80	600,000
16 February 2006	13 January 08	13 January 2009	A\$2.80	500,000
27 April 2006	31 October 07	28 April 2009	A\$5.50	782,500
27 April 2006	31 October 08	28 April 2009	A\$5.50	782,500
5 July 2006	5 January 2008	5 July 2009	A\$5.50	500,000
5 July 2006	5 January 2009	5 July 2009	A\$5.50	500,000
20 July 2006	5 January 2008	5 July 2009	A\$5.50	200,000
20 July 2006	5 January 2009	5 July 2009	A\$5.50	200,000
1 February 2007	1 February 2010	1 February 2012	A\$8.77	2,733,670
29 January 2008	29 January 2011	29 January 2013	A\$4.50	8,133,402
15 February 2008	15 February 2009	15 February 2011	A\$5.37	700,000
15 February 2008	15 February 2011	15 February 2013	A\$5.37	500,000
18 April 2008	18 April 2011	18 April 2013	A\$4.59	1,075,000
18 June 2008	18 June 2011	18 June 2013	A\$5.27	450,000
Total				<u>19,077,072</u>

Please refer to Outstanding Share Information table in the Management Discussion & Analysis for movements since the year end.

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NOTE 29. SHARE BASED PAYMENT PLAN (continued)

(c) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is between 1 and 3 years (2007: 1 and 3 years).

(d) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was A\$2.80 – A\$8.77 (2007: A\$1.00 – A\$8.77).

(e) Weighted average fair value

The weighted average fair value of options granted during the year was A\$2.73 (2007: A\$4.04).

(f) Option pricing model: ESOP and EXSOP

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a binominal model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2008 and 30 June 2007:

	2008	2007
Dividend yield (%)	Nil%	Nil%
Expected volatility (%)	66% - 77%	60% - 81%
Risk-free interest rate (%)	6.22% - 6.87%	5.81% - 6.44%
Expected life of option (years)	1.75 - 5 years	2.5 - 5 years
Option exercise price (\$)	A\$4.50 - A\$5.37	A\$5.50 - A\$8.77
Weighted average share price at grant date (\$)	A\$4.64 - A\$5.95	A\$4.16 - A\$9.07

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The fair value of the cash-settled options is measured at the grant date using the Cox, Ross and Rubinstein Binomial Tree option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received are recognised over the expected vesting period. The Monte Carlo method is used to model the future value of the Company's shares and the movement of the comparator companies' Total Shareholder Return on the various vesting dates associated with vesting requirements of the options.

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NOTE 30. INTERESTS IN JOINTLY CONTROLLED ASSETS

(a) Joint venture details

Mount Isa Uranium joint venture

The Mount Isa Uranium joint venture, which includes the Valhalla and Skal uranium deposits, is involved in the identification of and exploration for uranium resources in Queensland, Australia. Summit Resources (Australia) Pty Ltd (SRA) is manager and operator, holding a 50% interest. Mount Isa Uranium Pty Ltd (MIU) holds the other 50% interest. Paladin Energy Ltd ultimately owns 81.9% of SRA and 100% of MIU.

Bigrlyi Uranium joint venture

The Bigrlyi Uranium joint venture is involved in the identification of and exploration for uranium resources in the Northern Territory, Australia. The joint venture is between Energy Metals Ltd 53.74%, Southern Cross Exploration NL 4.2% and Northern Territory Uranium Pty Ltd (NTU) 42.06% (NTU is 100% owned by Paladin Energy Ltd) with Energy Metals Ltd as manager and operator of the joint venture.

Other joint ventures

The Consolidated Entity also has a number of other interests in joint ventures to explore for uranium and other minerals. The Consolidated Entity's share of expenditure in respect of these exploration activities is expensed in accordance with the accounting policy stated in Note 2(t) and no revenue is generated. The Consolidated Entity's share of the assets and liabilities in respect of these joint ventures is not material.

(b) Assets utilised in the Mount Isa and Bigrlyi Uranium joint ventures

The Group's share of the assets utilised in these jointly controlled assets, which are included in the Consolidated Financial Statements, are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m
Non-current assets				
Exploration and evaluation expenditure	<u>185.5</u>	<u>164.0</u>	-	-
Total assets	<u>185.5</u>	<u>164.0</u>	-	-

The interests of MIU in the Mount Isa Uranium joint venture and of NTU in the Bigrlyi Uranium joint venture were acquired on 7 September 2006 and include the allocation of the acquisition value.

The interest of SRA in the Mount Isa Uranium joint venture was acquired on 27 April 2007 and include the allocation of the acquisition value.

(c) Commitments relating to the joint venture

Share of tenement commitments (Note 26)	-	-	-	-
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(d) Impairment

No assets employed in the jointly controlled assets were impaired during the year (2007: US\$Nil).

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 31. BUSINESS COMBINATION AND ASSET ACQUISITION

During the year no significant business combinations were completed.

Acquisition of Summit Resources Ltd

During the year ended 30 June 2007 Paladin Energy Ltd acquired 81.9% of the issued share capital of Summit Resources Ltd, a public company based in Australia and listed on the Australian Securities Exchange involved in the exploration for uranium resources.

Initial recognition of the acquisition of Summit Resources Ltd in the Consolidated Financial Statements for the year ended 30 June 2007 was determined provisionally, according to IFRS 3. The short period between the acquisition date and the preparation of the annual report for the year ended 30 June 2007 only allowed for the completion of provisional fair value measurements required by IFRS 3.

The fair value measurements were completed during the year ended 30 June 2008 which did not result in any adjustments.

The cost of acquisition has been allocated as follows (provisional vs. final figures):

	CONSOLIDATED	
	Provisional Values Recognised on Acquisition US\$m	Final Values Recognised on Acquisition US\$m
Cash and cash equivalents	23.2	23.2
Trade and other receivables	1.1	1.1
Plant and equipment	1.6	1.6
Capitalised exploration and evaluation expenditure	1,402.6	1,402.6
	1,428.5	1,428.5
Trade and other payables	14.2	14.2
Deferred tax liability	415.7	415.7
	429.9	429.9
Net assets	998.6	998.6
Minority interests	(181.0)	(181.0)
Fair value of net identifiable assets acquired	817.6	817.6
Cost of the combination:		
Shares issued, at fair value	813.8	
Direct costs relating to the acquisition	3.8	
Total cost of the combination	817.6	

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 32. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the Financial Statements, that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2008 Financial Report:

Allotment of Shares and Issue of Employee Options

On 3 July the Company announced the granting of 450,000 unlisted incentive options, exercisable at A\$5.27 vesting after 3 years, subject to performance conditions as outlined in the Executive Share Option Plan, with a 5 year expiry and the allotment of 400,000 fully paid ordinary shares after the exercise of employee options.

Appointment of Mr Ross Glossop

On 10 July 2008, the Company announced the appointment of Mr Ross Glossop as Chief Financial Officer (CFO) of the Paladin group of companies. Mr Glossop has over 25 years of experience in the resources industry, where he has held positions in internal audit, treasury, and finance with increasing managerial responsibilities.

Increased Holding in Deep Yellow Ltd

On 28 July 2008, the Consolidated Entity acquired an additional 12,500,000 shares in Deep Yellow Ltd pursuant to the exercise of 12,500,000 options exercisable at 8.1 Australian cents. The additional investments totalled A\$1.0 million (US\$1.0 million). After this acquisition the Consolidated Entity now holds 15.30% of Deep Yellow Ltd.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 33. NON-CASH FINANCING AND INVESTMENT ACTIVITIES

	CONSOLIDATED		PARENT ENTITY	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
<i>Non-Cash Financing and Investment Activities</i>				
Issue of shares to acquire 100% of Valhalla Uranium Ltd	-	151.4	-	151.4
Issue of shares to acquire 81.9% of Summit Resources	-	798.9	-	798.9

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 34. EARNINGS PER SHARE

(i) Basic earnings per share

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Diluted earnings per share is the same as basic earnings per share in 2008 and 2007 as the Consolidated Entity is in a loss position.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	2008 US\$m	2007 US\$m
Net loss attributable to ordinary equity holders of the Parent from continuing operations	(36.0)	(37.6)
	2008 #	2007 #
Weighted average number of ordinary shares for basic earnings per share	608,341,416	511,189,193
Weighted average number of options issuable under the Company Executive Share Option Plan and in relation to the Convertible Bonds that could be potentially dilutive	14,746,269	19,233,595