



## PALADIN ENERGY LTD

ACN 061 681 098

24 October 2008

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

Dear Sir/Madam

### **Notice of Annual General Meeting to Shareholders**

Attached, please find Notice of Annual General Meeting and Proxy Form in respect of the meeting to be held on 26 November 2008 at 3:00pm. Also attached is the 2008 Annual Report, an interactive version will be available shortly on our website, [www.paladinenergy.com.au](http://www.paladinenergy.com.au).

Yours faithfully  
Paladin Energy Ltd

**GILLIAN SWABY**  
Company Secretary



**PALADIN ENERGY LTD**

**ACN 061 681 098**

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**NOTICE OF ANNUAL GENERAL MEETING**

**PROXY FORM**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

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**Date of Meeting**

26 November 2008

**Time of Meeting**

3:00pm

**Place of Meeting**

Perie Banou Room,  
Royal Perth Yacht Club  
Australia II Drive  
Crawley, Western Australia, 6009

**PALADIN ENERGY LTD  
ACN 061 681 098**

**NOTICE OF ANNUAL GENERAL MEETING**

TO THE HOLDERS OF ORDINARY SHARES OF PALADIN ENERGY LTD:

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the members of Paladin Energy Ltd ("**Company**") will be held in the Perie Banou Room, at The Royal Perth Yacht Club, Crawley, Western Australia on 26 November 2008 at 3:00pm WDT for the purpose of transacting the following business.

**AGENDA**

**BUSINESS**

A Management Information Circular containing information in relation to each of the following Resolutions accompanies this Notice of Meeting.

**1.1 FINANCIAL REPORT**

To receive the financial report for the year ended 30 June 2008, and the Directors' and Auditors' Reports thereon.

**Resolution 1 – Remuneration Report**

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

*"To adopt the Remuneration Report for the year ended 30 June 2008."*

**Note:** The vote on this resolution is advisory only and does not bind the Directors or the Company.

**Resolution 2 – Election of Director**

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

*"That Mr Sean Reveille Llewelyn be re-elected as a Director".*

**Resolution 3 – Directors' Fees**

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

*"That, for the purposes of Listing Rule 10.17 and for all other purposes, the maximum aggregate Directors' fees payable to non-executive Directors be increased from A\$900,000 per annum to A\$1.2 million per annum."*

**Voting Exclusions**

The Company will disregard any votes cast on Resolution 3 by a Director, and any associate of a Director. However, the Company need not disregard a vote if:

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

**For the purpose of this Notice of Meeting, Management Information Circular and Resolutions 1 to 3:**

**"ASX"** means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

**"Company"** means Paladin Energy Ltd ACN 061 681 098;

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

**"WDT"** means Australian Western Daylight Time.

**Other business**

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

By order of the Board

A handwritten signature in black ink, appearing to read 'G. Swaby', with a stylized flourish at the end.

**Gillian Swaby**  
Company Secretary  
Dated: 9 October 2008

## **PROXIES**

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

## **ENTITLEMENT TO VOTE AND RECORD DATE**

### Australian Share Register

For the purposes of regulation 7.11.37 of the Corporations Regulations, the Company determines that members holding ordinary shares at 5:00pm WDT on 24 November 2008 will be entitled to attend and vote at the Annual General Meeting.

### Canadian Share Register

For the purposes of section 2.1 of Canadian National Instrument 54-101 the Directors have fixed the record date for notice of and voting at the Annual General Meeting as 5:00pm WDT on 26 September 2008.

If you cannot attend the Meeting in person, you are encouraged to date, sign and deliver the accompanying proxy and return it prior to 3:00pm WDT on 24 November 2008. Information in relation to proxy voting is set out in the following documentation.

DATED at Perth, Western Australia, on 9 October 2008

## MANAGEMENT INFORMATION CIRCULAR

9 October 2008

### SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the management of **PALADIN ENERGY LTD** (the "Company") for use at the Annual General Meeting of the Company (the "Meeting") to be held on 26 November 2008, and any adjournments thereof, at the time and place and for the purposes set forth in the accompanying Notice of Annual General Meeting.

### VOTING BY PROXIES

This section headed "Voting by Proxies" only applies to registered holders (a "Shareholder") of Ordinary shares of the Company ("Ordinary Shares").

The form of proxy accompanying this Information Circular confers discretionary authority upon the proxy nominee with respect to any amendments or variations to the matters identified in the Notice of Annual General Meeting and any other matters that may properly come before the Meeting. On any ballot, the Ordinary Shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the Shareholder as specified in the proxy with respect to any matter to be acted on. If the Shareholder specifies a choice with respect to any matter to be acted upon, the Ordinary Shares will be voted accordingly. **If a choice is not specified with respect to any matter, the Ordinary Shares represented by a proxy given to management are intended to be voted in favour of the resolutions contemplated herein. A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for the Shareholder and on the Shareholder's behalf at the Meeting other than the persons designated in the form of proxy and may exercise such right by inserting the name in full of the desired person in the blank space provided in the form of proxy.** Proxies must be delivered prior to 3:00pm WDT on 24 November 2008 to either of the following:

Computershare Investor Services Pty Limited

GPO Box 242 Melbourne  
VICTORIA 3001 AUSTRALIA

**Or** Facsimile:  
Australia: 1800 783 447  
Overseas: +61 3 9415 4823

Computershare Investor Service Inc

Attention: Proxy Dept.  
100 University Avenue  
9<sup>th</sup> Floor  
TORONTO, ON M5J 2Y1 CANADA  
Telephone: 1-800-564-6253/514-982-7555

**Or** Facsimile: 1 866 249 7775

*Management of the Company is not aware of any amendments to the matters to be presented for action at the Meeting or of any other matters to be presented for action at the Meeting.*

## ADVICE TO BENEFICIAL HOLDERS OF SHARES

**The information set forth in this section is of significant importance to persons who beneficially own Ordinary Shares, as a substantial number of such persons do not hold Ordinary Shares in their own name.** Persons who hold Ordinary Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold such securities in their own name (referred to in this section as “Beneficial Holders”) should note that only proxies deposited by persons whose names appear on the records of the Company may be recognized and acted upon at the Meeting. If Ordinary Shares are listed in an account statement provided to a Beneficial Holder by a broker, then in almost all cases those Ordinary Shares will not be registered in the Beneficial Holder’s name on the records of the Company. Such Ordinary Shares will more likely be registered under the names of the broker or an agent of that broker. In Canada, the vast majority of shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Ordinary Shares held by brokers, agents or nominees can only be voted (for or against resolutions) upon the written instructions of the Beneficial Holder.

Without specific instructions, brokers, agents and nominees are prohibited from voting securities for their clients. **Therefore, Beneficial Holders should ensure that instructions respecting the voting of their Ordinary Shares are communicated to the appropriate person by the appropriate time.**

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Holders in advance of shareholders’ meetings. Each intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Holders to ensure that their Ordinary Shares are voted at the Meeting. The purpose of the form of proxy or voting instruction form supplied to a Beneficial Holder by its broker, agent or nominee is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Holder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Independent Investor Communications Company (“IICC”). IICC typically supplies a voting instruction form, mails those forms to the Beneficial Holders and asks Beneficial Holders to return the forms to IICC or follow specified telephone voting procedures. IICC then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Ordinary Shares to be represented at the appropriate Meeting. **A Beneficial Holder receiving a voting instruction form from IICC cannot use that form to vote Ordinary Shares directly at the Meeting - the voting instruction forms must be returned to IICC or the telephone procedures completed well in advance of the Meeting in order to have such shares voted.**

*Although Beneficial Holders may not be recognised directly at the Meeting for the purpose of voting shares registered in the name of their broker, agent or nominee, a Beneficial Holder may attend at the Meeting as proxy holder for the Shareholder and vote the Ordinary Shares, as the case may be, in that capacity. Beneficial Holders who wish to attend at the Meeting and indirectly vote their Ordinary Shares, as the case may be, as proxy holder for the registered Shareholder, should enter their own names in the blank space on the form of proxy or voting instruction form provided to them and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.*

## REVOCATION OF PROXIES

A Shareholder executing and delivering a proxy has the power to revoke it in accordance with the provisions of the Australian *Corporations Act*, which provides that every proxy may be revoked by an instrument in writing executed by the Shareholder or by his or her attorney authorised in writing and delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or to the chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

A proxy is valid only in respect of the Meeting.

## PERSONS MAKING THE SOLICITATION

This solicitation of proxies is made by management of the Company. The cost of the solicitation has been and will be borne by the Company.

## VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of 9 October 2008, the issued and outstanding capital of the Company consists of 613,997,369 Ordinary Shares. Subject to certain exclusions of votes contemplated below, each Ordinary Share is entitled to be voted at the Meeting. On a ballot, each Ordinary Share is entitled to one vote.

### Australian Share Register

For the purposes of regulation 7.11.37 of the Corporations Regulations, the Company determines that members holding ordinary shares at 5:00pm WDT on 24 November 2008 will be entitled to attend and vote at the Annual General Meeting.

### Canadian Share Register

For the purposes of section 2.1 of Canadian National Instrument 54-101 the directors have fixed the record date for the Annual General Meeting as 5:00pm WDT on 26 September 2008.

A simple majority of votes cast are required to approve all **ordinary resolutions** to be submitted to a vote of Shareholders at the Meeting.

**Special resolutions** require the approval of at least 75% of votes of those members of the Company at the meeting in person or by proxy.

## PARTICULARS OF MATTERS TO BE ACTED ON

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

The Directors of the Company ("**Directors**") recommend shareholders read this in full before making any decision in relation to the resolutions, in accordance with Section 250R of the Corporations Act 2001(Cth).

### **Annual Accounts**

Appropriate time will be devoted to the consideration of the Financial Statements and Reports of the Company for the year ended 30 June 2008.

## ORDINARY RESOLUTIONS

### Resolution 1 – Remuneration Report

The Board is voluntarily submitting its Remuneration Report to shareholders for consideration and adoption by way of a non-binding resolution.

The Remuneration Report forms part of the Directors' Report included in the 2008 Annual Report. The Report:

- Explains the Board's policy for determining the nature and amount of remuneration of executive Directors and senior executives of the Company;
- Explains the relationship between the Board's remuneration policy and the Company's performance;
- Sets out remuneration details for each Director and the most highly remunerated senior executives of the Company; and
- Details and explains any performance conditions applicable to the remuneration of executive Directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The vote on the adoption of the Remuneration Report resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

### Resolution 2 – Election of Director

The Company's Constitution provides that at each Annual General Meeting one-third of the Directors or, if their number is not a multiple of three, then the number nearest to but not more than one-third of the Directors must retire from office. Mr Llewelyn, therefore, retires from office in accordance with this requirement and submits himself for re-election.

Information in respect of Mr Llewelyn seeking re-election, and each other person whose term of office as a Director will continue after the meeting, including John Borshoff, an existing director of the Company, who is not required by the Company's Constitution to retire at this Annual General Meeting, is set out below:

| Name and Residence                                                                        | Position with Paladin                                                                             | Current Principal Occupations & Principal Occupations during preceding 5 years                                                                      | Shareholding (direct and indirect) | Committee Membership                             |
|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------------------------------------------|
| Rick Wayne Crabb<br>Western Australia, Australia<br>(due for re-election November 2010)   | Chairman<br>(27 March 2003 to present);<br>Non-Executive Director<br>(8 February 1994 to present) | Partner: Blakiston and Crabb (law firm)<br>(1980 to 2004).<br><br>Chairman: Paladin Energy Ltd (uranium supply and production)<br>(2005 to present) | 5,581,528*                         | Remuneration<br>(Chair)<br>Nomination<br>(Chair) |
| Sean Reveille<br>Llewelyn<br>Queensland, Australia<br>(due for re-election November 2011) | Non-Executive Director<br>(12 April 2005 to present)                                              | Investor                                                                                                                                            | Nil                                | Audit<br>Nomination<br>Remuneration              |
| Ian Urquhart Noble<br>NSW, Australia<br>(due for re-election November 2010)               | Non-Executive Director<br>(29 June 2005 to present)                                               | Metallurgical Engineering Consultant (1991 to 2005)<br>Retired (2006 to present)                                                                    | 21,000                             | Audit<br>Nomination                              |

| Name and Residence                                                                     | Position with Paladin                              | Current Principal Occupations & Principal Occupations during preceding 5 years                                                                                                           | Shareholding (direct and indirect) | Committee Membership                        |
|----------------------------------------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------|
| Donald Myron Shumka<br>BC, Canada<br>(due for re-election November 2009)               | Non-Executive Director<br>(9 July 2007 to present) | Managing Director:<br>Walden Management Ltd,<br>(financial consulting firm)<br>(2004 to present)<br><br>Managing Director:<br>Investment Banking,<br>Raymond James Ltd<br>(1993 to 2004) | Nil                                | Audit (Chair)<br>Nomination<br>Remuneration |
| John Borshoff<br>Western Australia,<br>Australia<br>(not required to seek re-election) | Managing Director                                  | Managing Director:<br>Paladin Energy Ltd<br>(uranium supply and production)<br>(24 September 1993 to present)                                                                            | 21,591,394                         | Nomination                                  |

\* Between 11 and 14 April 2008, a secured creditor of Lift Capital Pty Limited in the exercise of (purported) rights, sold 6,383,218 ordinary shares on behalf of Rick Crabb and his associates. No consideration was received by Rick Crabb or his associates from this involuntary sale. Legal action for the recovery of these shares which were sold without their consent or authority is being pursued.

### Resolution 3 – Directors’ Fees

Shareholder approval is being sought for the purposes of Listing Rule 10.17 and for all other purposes, for the Company to be authorised to increase the aggregate amount of fees paid to non-executive Directors. The quantum is currently set at A\$900,000 per annum, however, given the recent growth of the Company, it is considered that this level needs to be increased. This is necessary to attract and retain directors of a calibre required to effectively guide and monitor the business of the Company.

The Directors’ fees have been considered by the Board and A\$1,200,000 has been determined as an appropriate maximum level of non-executive Directors’ fees. This will also allow for non-executive Directors to be remunerated appropriately for the expectations placed upon them both by the Company and the regulatory environment in which it operates. It should be noted that the fees for the current Directors (which currently total A\$825,000 per annum) will not be increased during this financial year. The Company’s policy is that retirement benefits are not paid to non-executive Directors. The increase to the aggregate amount of fees is to ensure there are sufficient fees available should the Board feel it necessary to increase the number of directors on the Board.

## STATEMENT OF EXECUTIVE COMPENSATION

### Summary Compensation Table

The following executive compensation disclosure is provided in respect of the Company’s Named Executive Officers (NEOs) for the Company’s three most recently completed financial years. NEOs means the following individuals:

- (a) Managing Director;
- (b) Chief Financial Officer
- (c) each of the Company’s three most highly compensated executive officers, other than the Managing Director and Chief Financial Officer, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus exceeds \$150,000; and
- (d) any additional individuals for whom disclosure would have been provided under (c) except that the individual was not serving as an officer of the Company at the end of the most recently completed financial year-end.

|                                                                       |             | Annual Compensation    |                       |                                           |                      | Long-Term Compensation                       |                                        |
|-----------------------------------------------------------------------|-------------|------------------------|-----------------------|-------------------------------------------|----------------------|----------------------------------------------|----------------------------------------|
| NEO Name and Principal Position<br>(a)                                | Year<br>(b) | Salary<br>(A\$)<br>(c) | Bonus<br>(A\$)<br>(d) | Other Annual Compensation<br>(A\$)<br>(e) |                      | Securities Under Options<br>Granted #<br>(f) | All Other Compensation<br>(A\$)<br>(i) |
|                                                                       |             |                        |                       | Super-annuation                           | Other                |                                              |                                        |
| John Borshoff<br>(Managing Director)                                  | June 2008   | 1,586,907              | 600,000               | 13,129                                    | -                    | 1,250,000                                    | See footnote <sup>4</sup>              |
|                                                                       | June 2007   | 987,864                | 600,000               | 12,686                                    | -                    | 1,500,000                                    |                                        |
|                                                                       | June 2006   | 488,415                | 200,000               | 11,585                                    | -                    | -                                            |                                        |
| Ron Chamberlain <sup>1</sup><br>(Chief Financial Officer)             | June 2008   | 271,908                | 20,000                | 13,129                                    | -                    | 100,545                                      |                                        |
|                                                                       | June 2007   | 212,069                | 20,000                | 12,594                                    | -                    | 35,700                                       |                                        |
|                                                                       | June 2006   | 162,500                | -                     | 11,585                                    | -                    | 200,000                                      |                                        |
| Dustin Garrow <sup>3</sup><br>(Executive General Manager – Marketing) | June 2008   | 575,000                | -                     | -                                         | -                    | 266,199                                      |                                        |
| Andrew Morgan <sup>3</sup><br>(General Manager Project Construction)  | June 2008   | 427,020                | 50,000                | 13,129                                    | -                    | 235,296                                      |                                        |
| Gillian Swaby<br>(Company Secretary)                                  | June 2008   | -                      | 35,000                | -                                         | 390,000 <sup>2</sup> | 258,785                                      |                                        |
|                                                                       | June 2007   | -                      | 50,000                | -                                         | 302,000 <sup>2</sup> | 75,000                                       |                                        |
|                                                                       | June 2006   | -                      | -                     | -                                         | 153,000 <sup>2</sup> | -                                            |                                        |

<sup>1</sup> Ceased employment 18 July 2008

<sup>2</sup> Consulting fees

<sup>3</sup> Became NEO during financial year commencing 1 July 2007

<sup>4</sup> Payment of a benefit on retirement or early termination by the Company, other than for gross misconduct, equal to 2 times base salary for the two years immediately preceding the termination date. This benefit was approved by the Company shareholders on 9 November 2005.

## Option Grants During the Most Recently Completed Financial Year

The following table discloses individual grants of options to purchase or acquire securities of the Company made during the most recently completed financial year to each of the Named Executive Officers.

| NEO Name<br>(a)                | Securities Under Options<br>Granted #<br>(b) | Percent of Total Options<br>Granted to Employees in<br>Financial Year<br>(c) | Exercise or Base Price<br>(A\$/Security)<br>(d) | Market Value of Securities<br>Underlying Options on the<br>Date of Grant<br>(A\$/Security)<br>(e) | Expiration Date<br>(f)     |
|--------------------------------|----------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------|
| John Borshoff <sup>1,2</sup>   | 1,250,000                                    | 11.1%                                                                        | A\$4.50                                         | A\$4.50                                                                                           | 29 Jan 2013                |
| Ron Chamberlain <sup>1,2</sup> | 100,545                                      | 0.9%                                                                         | A\$4.50                                         | A\$4.50                                                                                           | Cancelled on<br>9 Sep 2008 |
| Dustin Garrow <sup>1,2</sup>   | 266,199                                      | 2.4%                                                                         | A\$4.50                                         | A\$4.50                                                                                           | 29 Jan 2013                |
| Andrew Morgan <sup>1,2</sup>   | 235,296                                      | 2.1%                                                                         | A\$4.50                                         | A\$4.50                                                                                           | 29 Jan 2013                |
| Gillian Swaby <sup>1,2</sup>   | 258,785                                      | 2.3%                                                                         | A\$4.50                                         | A\$4.50                                                                                           | 29 Jan 2013                |

<sup>1</sup> Issuer: Paladin Energy Ltd; Ordinary Shares underlying the options.

<sup>2</sup> Vesting date 29 Jan 2011; for summary of performance-based conditions see pages 15-17 of this Notice of Meeting.

## Aggregated Options Exercised During Most Recently Completed Financial Year and Financial Year-End Option Values

The following table discloses all options exercised during the most recently completed financial year by each Named Executive Officer and the financial year end value of unexercised options on an aggregated basis.

| NEO Name<br>(a) | Securities Acquired on Exercise<br>(#)<br>(b) | Aggregate Value Realized<br>(A\$)<br>(c) <sup>1</sup> | Unexercised Options at FY -End<br>(#)<br>Exercisable / Unexercisable<br>(d) | Value of Unexercised in the money Options at FY-End (A\$)<br>Exercisable / Unexercisable<br>(e) |
|-----------------|-----------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| John Borshoff   | 3,750,000                                     | A\$21,750,000                                         | Nil / 2,750,000                                                             | Nil / A\$2,387,500                                                                              |
| Ron Chamberlain | 200,000                                       | A\$722,000                                            | n/a                                                                         | n/a                                                                                             |
| Dustin Garrow   | Nil                                           | n/a                                                   | 600,000/344,769                                                             | A\$2,166,000/A\$508,440                                                                         |
| Andrew Morgan   | Nil                                           | n/a                                                   | 150,000/535,296                                                             | A\$136,500/A\$585,915                                                                           |
| Gillian Swaby   | 2,750,000                                     | A\$14,080,000                                         | Nil / 333,785                                                               | Nil / A\$494,279                                                                                |

<sup>1</sup> This value is equal to column (b) times the balance between the market value of the shares underlying the options at the date of exercise or financial year end, respectively, and the exercise price of the options.

## Employment Contracts

The Company has entered into employment contracts with each of the Named Executive Officers on the following terms and conditions:-

### Mr John Borshoff, *Managing Director*

- Term of agreement – 2 years commencing 1 March 2008.
- Base salary, inclusive of superannuation, A\$1,400,000 increased to A\$1,800,000 effective 1 January 2008.
- Payment of a benefit on retirement or early termination by the Company, other than for gross misconduct, equal to 2 times base salary for the two years immediately preceding the termination date. This benefit was approved by the Company shareholders on 9 November 2005.

### Mr Ron Chamberlain, *Chief Financial Officer*

(ceased employment with the Company on 18 July 2008)

- Term of agreement – no fixed term.
- Base salary, inclusive of superannuation, of A\$250,000 increased to A\$320,000 effective 1 January 2008.
- No termination benefit is specified in the agreement.

### Mr Dustin Garrow, *Executive General Manager – Marketing*

- Term of agreement – no fixed term.
- Base salary, of A\$550,000 increased to A\$600,000 effective 1 January 2008.
- No termination benefit is specified in the agreement.

### Mr Andrew Morgan, *General Manager Project Construction*

- Term of agreement – no fixed term.
- Base salary, inclusive of superannuation, of A\$366,666 plus 20% expatriate allowance, increased to A\$400,000 plus 10% expatriate allowance effective 1 January 2008.
- No termination benefit is specified in the agreement.

Ms Gillian Swaby, *Company Secretary*

- No contract for service exists for Ms Gillian Swaby and fees are paid in the ordinary course of business for company secretarial services to a company of which Ms Gillian Swaby is a director and shareholder. Fees are set at a rate of A\$390,000 per annum. This amount is renegotiated on the 1<sup>st</sup> January each year.

## **Composition of the Remuneration Committee**

The Remuneration Committee, on behalf of the Board of Directors, monitors compensation of executive officers of the Company. The Remuneration Committee was formed on 1 June 2005 and comprises Rick Crabb (non-executive Chairman), Sean Llewelyn (Independent Director) and Donald Shumka (Independent Director). George Pirie (Independent Director) resigned on 9 July 2007. Donald Shumka was elected a member of the Remuneration Committee on 10 August 2007. The Remuneration Committee periodically reviews the compensation paid to directors and management based on such factors as time commitment, comparative fees paid by similar companies in the industry and the level of responsibility. During the 2008 financial year, the committee met twice.

The responsibilities and functions of the Remuneration Committee are as follows:

- review the competitiveness of the Company's executive compensation programs to ensure:
  - (a) the attraction and retention of corporate officers;
  - (b) the motivation of corporate officers to achieve the Company's business objectives; and
  - (c) the alignment of the interests of key leadership with the long-term interests of the company's shareholders.
- review trends in management compensation, oversee the development of new compensation plans and, when necessary, approve the revision of existing plans.
- review the performance of executive management.
- review and approve Chairman and Managing Director goals and objectives, evaluate Chairman and Managing Director performance in light of these corporate objectives, and set Chairman and Managing Director compensation levels consistent with company philosophy.
- approve the salaries, bonus and other compensation for all senior executives, the Committee will recommend appropriate salary, bonus and other compensation to the Board for approval.
- review and approve compensation packages for new corporate officers and termination packages for corporate officers as requested by management.
- review and approve the awards made under any executive officer bonus plan, and provide an appropriate report to the Board.
- review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans. Except as otherwise delegated by the Board, the Committee will act on behalf of the Board as the Committee established to administer equity-based and employee benefit plans, and as such will discharge any responsibilities imposed on the Committee under those plans, including making and authorising grants, in accordance with the terms of those plans.
- review periodic reports from management on matters relating to the Company's personnel appointments and practices.

## Report On Executive Compensation

This report on executive compensation has been prepared by the Remuneration Committee.

The Remuneration Committee, on behalf of the Board of Directors, monitors compensation of Directors and Executives of the Company.

Generally, compensation is provided by the Company to its Executives (including the Managing Director), by way of base salary, short-term bonus, granting of employee options and superannuation. The overall objective is to ensure that remuneration is fair and reasonable and sufficient to attract and retain qualified and experienced Directors and Executives.

The compensation program for the Executives of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including:

- (a) attracting and retaining talented, qualified and effective Executives;
- (b) motivating their short and long-term performance; and
- (c) aligning their interests with those of the Company's shareholders.

In line with Corporate Governance principles, non-executive Directors are remunerated solely by way of fees and statutory superannuation. The total pool of fees available is set by shareholders in general meeting.

Given the evolving nature of the Company's business, the Remuneration Committee continues to review and redesign the overall compensation plan for all employees so as to continue to address the objectives identified above. During the year, it undertook an extensive review with the assistance of external specialist remuneration consultants to both revise the share option plan and determine parameters for the payment of cash bonuses. The new Executive Share Option Plan, approved by shareholders at the Annual General Meeting held in November 2006, is designed to increase the motivation of key staff and create a stronger link between increasing shareholder value and employee reward.

### Directors' Fees

At the 2007 Annual General Meeting, shareholders approved an increase in the aggregate amount of fees available to be paid to non-executive Directors to A\$900,000. Given the growth of the Company such an increase was considered necessary to attract and retain directors of a calibre required to effectively guide and monitor the business of the Company and to remunerate them appropriately for the expectations placed upon them both by the Company and the regulatory environment in which it operates.

It is proposed that the aggregate amount of fees be increased to A\$1,200,000 as set out in Resolution 3 of this Notice of Annual General Meeting.

Fees payable to non-executive Directors are set at A\$160,000 per annum each, effective 1 January 2008, inclusive of any superannuation obligations. Exceptions to this fee structure are the Chairman of the Audit Committee who receives an additional A\$20,000 per annum, and the Chairman of the Board who receives an additional A\$165,000 per annum. The increased fees were arrived at on the basis of a review by external independent remuneration consultants looking at companies with similar market capitalisation.

In addition, the Company's Constitution provides for additional compensation to be paid if any of the Directors are called upon to perform extra services or make any special exertions on behalf of the Company or the business of the Company. The Directors may compensate such Director in accordance with such services or exertions, and such compensation may be either in addition to or in substitution for the Directors' fees referred to above.

Remuneration paid to non-executive Directors during the year ended 30 June 2008 comprised the following:-

| <b>Name and Principal Position</b>        | <b>Fees<br/>(A\$)</b> | <b>Superannuation<br/>(A\$)</b> |
|-------------------------------------------|-----------------------|---------------------------------|
| Rick Crabb<br>(Non-Executive Chairman)    | 256,064               | 13,129                          |
| Sean Llewelyn<br>(Non-Executive Director) | 126,911               | 11,422                          |
| Ian Noble<br>(Non-Executive Director)     | 126,911               | 11,422                          |
| Donald Shumka<br>(Non-Executive Director) | 151,250               | -                               |

Note: there were no additional fees paid during the year to any Director for consulting services.

#### Compensation of the Managing Director

The compensation of the Managing Director is approved annually by the Board of Directors. Base cash compensation levels are based on market survey data. Compensation also includes participation in the Company's stock option plan. Compensation paid to the Managing Director is set out in the Summary Compensation Table.

#### Base Salary

The first step to attracting and retaining talented, qualified and effective Executives is paying base salaries which are competitive in the markets in which the Company operates. Competitive salary information on companies of a comparable size in the resource industry is compiled from a variety of sources, including surveys conducted by independent consultants and national and international publications. In addition, external remuneration consultants are involved in the process of salary determination.

#### Expatriate Benefits

Executives who are required to fulfil their responsibilities as an expatriate receive benefits which may include health insurance, housing and car allowances, educational fees and tax advisory services.

#### Short-term Bonus

The Company provides short-term bonuses to Executives of up to 20% of base salary. The short-term bonuses are based on achieving the following measures where these are applicable to the specific Executive:

- (a) production performance;
- (b) project development performance;
- (c) additional uranium resources delineated;
- (d) performance of the Company in meeting its various other objectives;
- (e) financial performance of the Company; and
- (f) such other matters determined by the Remuneration Committee in its discretion.

In respect of the Managing Director, a bonus of up to 100% of base salary can be achieved, to be determined by the Remuneration Committee having consideration to outcomes achieved during the year.

Outcomes to be considered include:

- continued nameplate (or better) production at Langer Heinrich;
- Kayelekera construction continuing on schedule and within budget;
- continued high safety and environmental achievements;
- continued good social programmes in Karonga region;
- development of the Paladin Nuclear Ltd business model;
- successful M&A activity;
- ongoing improvement (to handle corporate growth) of organisational structure, controls, reporting and infrastructure; and
- impact on total shareholder return.

The above measures have been selected to align the interests of Executives with shareholders. The Remuneration Committee is responsible for assessing whether the measures are met.

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the measures. This is at the discretion of the Remuneration Committee.

### Share-Based Payment Plan

The Company believes that encouraging its key employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's Executive Share Option Plan which was approved by shareholders in November 2006. This replaced the previous plan and the Board believes that grants made under this Plan provide a powerful tool to achieve the following objectives:-

- enable the Company to recruit and retain the talented people needed to achieve the Company's business objectives;
- link the reward of key staff with the achievement of strategic goals and the long-term performance of the Company;
- align the financial interests of Plan participants with those of the shareholders; and
- provide incentives to Plan participants to focus on superior performance that creates shareholder value.

The Board determines the number of options offered to an employee by reference to their base package and the option value, based on the binomial tree method with reference to the following formula:-

$$\text{Number of Options} = \frac{\text{Base Package} \times \text{Stretch LTI}\%}{\text{Option value (based on the binomial tree model)}}$$

The resultant number of options may be adjusted, at the Board's discretion, to deal with any special circumstances or other factors.

"Stretch LTI" refers to the long-term incentive percentage of the Base Package that allows the maximum number of options to vest (i.e. become able to be exercised) if the performance condition is satisfied to the maximum.

The "binomial tree model" for determining the option value is the mathematical model used in accordance with the International Accounting Practice.

By way of example, the stretch LTI is, in the case of the Managing Director, 180%; and senior executives 100%.

Further information on the Option Plan is set out below. During the financial year, a number of options were granted to attract high calibre executives, in what continues to be a highly competitive and tight market for human capital. These options granted during the year included specific vesting periods.

The Company's policy prohibits hedging of options granted under share option plans. Prohibited hedging practices include put/call arrangements over "in money" options to hedge against a future drop in share price. The Board considers such hedging to be against the spirit of a share option plan and inconsistent with shareholder objectives.

#### 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 Limited's ranking against the peer group TSR growth over the performance period.

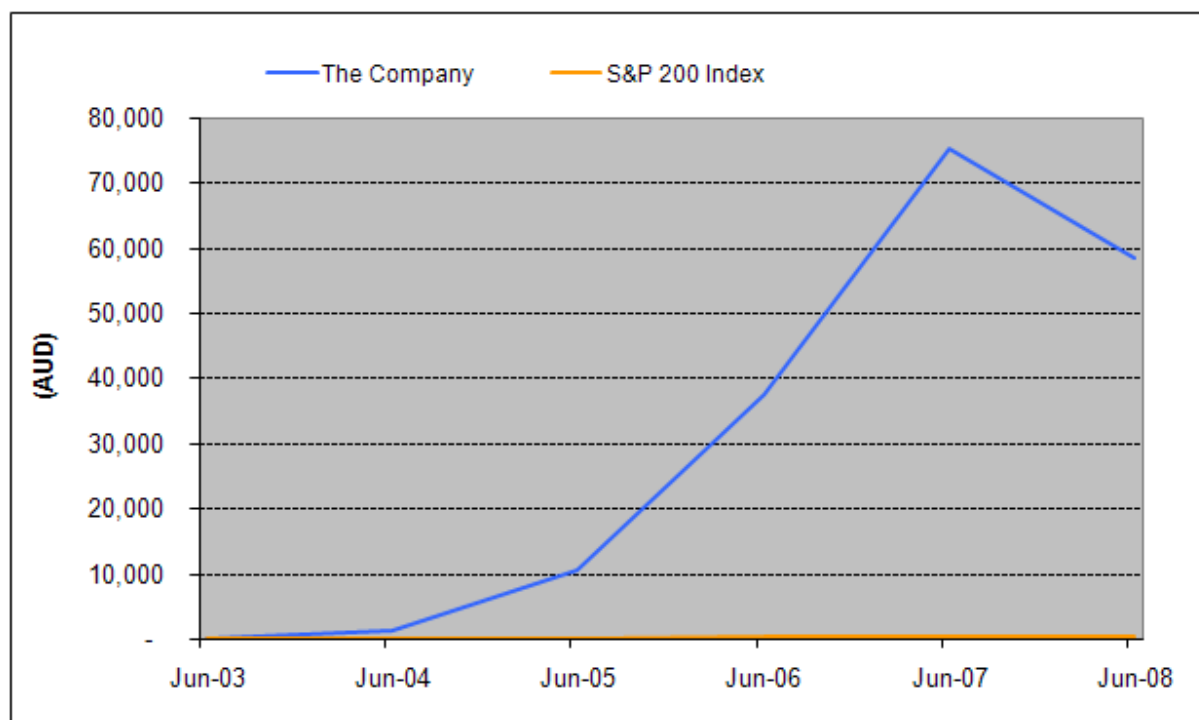
- when Paladin Energy Limited is ranked over the 75<sup>th</sup> percentile, 100% of the share options will vest;
- for rankings above the 50<sup>th</sup> and below the 75<sup>th</sup> percentile, the percentage of options to vest will be pro-rata between 50% and 100%.
- when Paladin Energy Limited is ranked at the 50<sup>th</sup> percentile, 50% of the share options will vest;
- when Paladin Energy Limited is ranked below the 50<sup>th</sup> 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.

## Performance Graph

The overall level of compensation takes into account the growth in shareholder wealth of the Company. The chart below compares, assuming an initial investment of \$100, the yearly percentage change in the cumulative total shareholder return on the Company's Ordinary Shares against the cumulative total shareholder return, assuming reinvestment of dividends, of the S&P/ASX 200 Index for the Company's five most recently completed financial years.



|                              | 30 June 2004 | 30 June 2005 | 30 June 2006 | 30 June 2007 | 30 June 2008 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>The Company</b>           | A\$100       | A\$10,682    | A\$37,364    | A\$75,091    | A\$58,273    |
| <b>S&amp;P/ASX 200 Index</b> | A\$100       | A\$141       | A\$168       | A\$207       | A\$172       |

## Compensation of Directors

Please refer to the section titled "Report on Executive Compensation" above.

## SECURITIES AUTHORISED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

### Equity Compensation Plan Information

The following table summarises relevant information as of 30 June 2008 with respect to compensation plans under which equity securities are authorised for issuance.

| <b>Plan Category</b>                                       | <b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> | <b>Weighted average exercise price of outstanding options, warrants and rights</b> | <b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> |
|------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                            | <b>(a)</b>                                                                                         | <b>(b)</b>                                                                         | <b>(c)</b>                                                                                                                                         |
| Equity compensation plans approved by security holders     | 12,892,072                                                                                         | A\$5.47                                                                            | 17,782,796                                                                                                                                         |
| Equity compensation plans not approved by security holders | 6,185,000                                                                                          | A\$4.39                                                                            | Nil                                                                                                                                                |
| Total                                                      | 19,077,072                                                                                         | A\$5.12                                                                            | 17,782,796                                                                                                                                         |

The following table gives a brief description of the material features of each compensation plan involving the issuance of equity securities that was adopted without the approval of shareholders, including individual compensation arrangements.

| <b>Equity Compensation Plans Not Approved by Security Holders</b> |                                                                                            |                    |                                  |                            |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------|----------------------------------|----------------------------|
| <b>Date Options Granted</b>                                       | <b>Vesting Date</b>                                                                        | <b>Expiry Date</b> | <b>Exercise Price of Options</b> | <b>Number Under Option</b> |
| 13 Jan 2006                                                       | 50% after 13 Jan 2007 and 50% after 13 Jan 2008                                            | 13 Jan 2009        | A\$2.80                          | 820,000                    |
| 19 Jan 2006                                                       | 50% after 13 Jan 2007 and 50% after 13 Jan 2008                                            | 13 Jan 2009        | A\$2.80                          | 600,000                    |
| 16 Feb 2006                                                       | 50% after 13 Jan 2007 and 50% after 13 Jan 2008                                            | 13 Jan 2009        | A\$2.80                          | 1,100,000                  |
| 27 Apr 2006                                                       | 50% within 18 months and 50% within 30 months of date granted                              | 28 Apr 2009        | A\$5.50                          | 1,565,000                  |
| 5 Jul 2006                                                        | 50% within 18 months and 50% within 30 months of date granted                              | 5 Jul 2009         | A\$5.50                          | 1,000,000                  |
| 20 Jul 2006                                                       | 50% within 18 months and 50% within 30 months of date granted                              | 5 Jul 2009         | A\$5.50                          | 400,000                    |
| 15 Feb 2008                                                       | Options will not vest until grant ratified by security holders at a shareholders' meeting. | 15 Feb 2011        | A\$5.37                          | 700,000                    |

## **APPOINTMENT OF AUDITOR**

The Company's auditors are Ernst & Young, and were appointed on 21 June 2005. A resolution confirming the appointment was passed by shareholders at the Annual General Meeting held on 9 November 2005.

## **INCORPORATING INFORMATION BY REFERENCE**

In respect of the disclosure requirement in Canada under National Instrument 58-101 relating to disclosure of corporate governance practices of the Company, the Company has previously made this disclosure in its 2008 Annual Report. The Corporate Governance Statement contained in the 2008 Annual Report is incorporated by reference into this Management Information Circular.

The 2008 Annual Report is filed on [www.asx.com.au](http://www.asx.com.au) and under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). It is also available on the Company's website in an interactive form at [www.paladinenergy.com.au](http://www.paladinenergy.com.au). Copies of the 2008 Annual Report will be provided free of charge to shareholders of the Company upon written request of the Company.

Financial information is provided in the Company's comparative financial statements and Management's Discussion & Analysis for its most recently completed financial year.

## **AVAILABILITY OF DOCUMENTS**

In addition to copies of documents as otherwise contemplated herein, the Company will provide to any person, upon request to the Company Secretary, one copy of the following documents (i) the comparative financial statements of the Company filed with the applicable securities regulatory authorities for the Company's most recently completed year in respect of which such financial statements have been issued, together with the report of the auditors thereon and Management's Discussion and Analysis and any interim financial statements of the Company filed with the applicable securities regulatory authorities subsequent to the filing of the annual financial statements and (ii) the Notice of Meeting and Management Information Circular filed with the applicable securities regulatory authorities in respect of the most recent annual meeting of Shareholders of the Company which involved the election of directors.

Copies of the above documents will be provided free of charge to security holders of the Company. The Company may require the payment of a reasonable charge by any person or company who is not a security holder of the Corporation, and who requests a copy of such document. Additionally, copies of publicly filed information concerning the Company can be found under the Company's profile at [www.asx.com.au](http://www.asx.com.au) or at [www.sedar.com](http://www.sedar.com).

Copies of documents may be obtained as provided above by contacting the Company Secretary by mail at Paladin Energy Ltd, Grand Central, 1<sup>st</sup> Floor, 26 Railway Road, Subiaco, Western Australia, 6008, by facsimile at +61 8 9381 4978, or by email at [paladin@paladinenergy.com.au](mailto:paladin@paladinenergy.com.au)

## **APPROVAL OF THIS INFORMATION CIRCULAR**

The contents and the sending of this Information Circular have been approved by the directors of the Company.

By order of the Board



Gillian Swaby  
Company Secretary

## GLOSSARY

**"ASX"** means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

**"Board"** means the board of Directors;

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

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

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

**"Notice"** means the Notice of Annual General Meeting accompanying this Management Information Circular;

**"Shares"** or **"Ordinary Shares"** means fully paid ordinary shares in the Company; and

**"WDT"** means Australian Western Daylight Time.



**PALADIN ENERGY LIMITED**  
ACN 061 681 098

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

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



**Name:**

\_\_\_\_\_

**Address:**

\_\_\_\_\_

\_\_\_\_\_

**Appointment of Proxy**

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



the Chairman

Of the Meeting

(mark with an 'X')

**OR**

\_\_\_\_\_

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

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Paladin Energy Ltd to be held at the Royal Perth Yacht Club, Australia II Drive, Crawley, Western Australia 6009, on Wednesday, 26 November 2008 at 3:00pm WDT (Western Daylight Time) and at any adjournment of that meeting.

**Voting directions to your proxy - please mark**



**to indicate your directions**

**Ordinary Business**

**For Abstain\* Against**

Item 1 Remuneration Report

☐ ☐ ☐

Item 2 Re-election of Director – S Llewelyn

☐ ☐ ☐

Item 3 Directors' Fees

☐ ☐ ☐

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

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of Resolution 3, please place a mark in the box. By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of Resolution 3 and that votes cast by the Chair of the meeting for Resolution 3 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolution 3 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 3. The Chair intends to vote all open proxies in favour of the Resolutions.

☐

**PLEASE SIGN HERE**

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

**Individual or Securityholder 1**

\_\_\_\_\_

**Sole Director and  
Sole Company Secretary**

**Securityholder 2**

\_\_\_\_\_

**Director**

**Securityholder 3**

\_\_\_\_\_

**Director/Company Secretary**

**Contact Name**

**Contact Daytime Telephone**

**Date**

/ /

## HOW TO COMPLETE THE PROXY FORM

### 1 Your Name and Address

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

### 2 Appointment of a Proxy

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

### 3 Votes on Items of Business

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

### 4 Appointment of a Second Proxy

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

To appoint a second proxy you must:

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

### 5 Signing Instructions

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

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

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

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

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

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

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

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 24 November 2008 at 3:00pm WDT. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Documents may be lodged by post, delivery or facsimile to:**

**The Registered Office of Paladin Energy Ltd**

**or**

**Computershare Investor Services Pty Ltd**

**Grand Central**

**1<sup>st</sup> Floor, 26 Railway Road**

**Subiaco WA 6008**

**or PO Box 201**

**Subiaco WA 6904**

**or by facsimile to fax number 08 9381 4978**

**GPO Box 242 Melbourne**

**Victoria 3001 Australia**

**or by facsimile to fax number:**

**(Within Australia) 1800 783 447**

**(Outside Australia) +61 3 9415 4823**



Kayelekera in construction and making excellent progress

annual report

2008

# Paladin Energy Ltd





Pictures left to right: (1) and (2) Kayelekera

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The annual report covers both Paladin Energy Ltd as an individual entity and the Group consisting of Paladin Energy Ltd and its controlled entities.

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

Paladin Energy Ltd  
Grand Central, 1<sup>st</sup> Floor, 26 Railway Road  
SUBIACO WA 6008

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial statements and other information are available on our website [www.paladinenergy.com.au](http://www.paladinenergy.com.au).



## corporate directory

### Directors

Non-executive Chairman

Mr Rick Crabb

Managing Director

Mr John Borshoff

Non-executive Directors

Mr Sean Llewelyn

Mr Ian Noble

Mr Donald Shumka

### Company Secretary

Ms Gillian Swaby

### Registered Office

Grand Central, 1st Floor, 26 Railway Road

Subiaco Western Australia 6008

(PO Box 201, Subiaco, 6904)

Telephone: (+61 8) 9381 4366

Facsimile: (+61 8) 9381 4978

Email: [paladin@paladinenergy.com.au](mailto:paladin@paladinenergy.com.au)

Web: [www.paladinenergy.com.au](http://www.paladinenergy.com.au)

### Share Register

Australia

Computershare Investor Services Pty Ltd

Level 2, 45 St Georges Terrace

Perth Western Australia 6000

Telephone: (+61 8) 9323 2000

Facsimile: (+61 8) 9323 2033

Canada

Computershare Investor Services Inc

100 University Avenue, 9th Floor

Toronto Ontario M5J 2Y1

Telephone: (+1) 1 800 564 6253 or 1 514 982 7555

Facsimile: (+1) 1 888 453 0330 or 416 263 9394

### Investor Relations

Australia – Corporate Office

Ms Gillian Swaby

Grand Central, 1st Floor, 26 Railway Road

Subiaco Western Australia 6008

(PO Box 201, Subiaco, 6904)

Telephone: (+61 8) 9381 4366

Facsimile: (+61 8) 9381 4978

Email: [gillian.swaby@paladinenergy.com.au](mailto:gillian.swaby@paladinenergy.com.au)

North America

Mr Greg Taylor

Ontario Canada

Business/Cell: (+1) 905 337 7673 / (+1) 416 605 5120

Facsimile: (+1) 905 844 6532

Email: [greg.taylor@paladinenergy.com.au](mailto:greg.taylor@paladinenergy.com.au)

### Auditors

Ernst & Young

11 Mounts Bay Road

Perth Western Australia 6000

### Stock Exchange Listings

Australian Securities Exchange and

Toronto Stock Exchange

Code: PDN

Munich, Berlin, Stuttgart and Frankfurt Stock

Exchanges

Code: PUR

Namibian Stock Exchange

Code: NM-PDN



Pictures left to right: (1) Supporting the local community, Malawi (2) Langer Heinrich

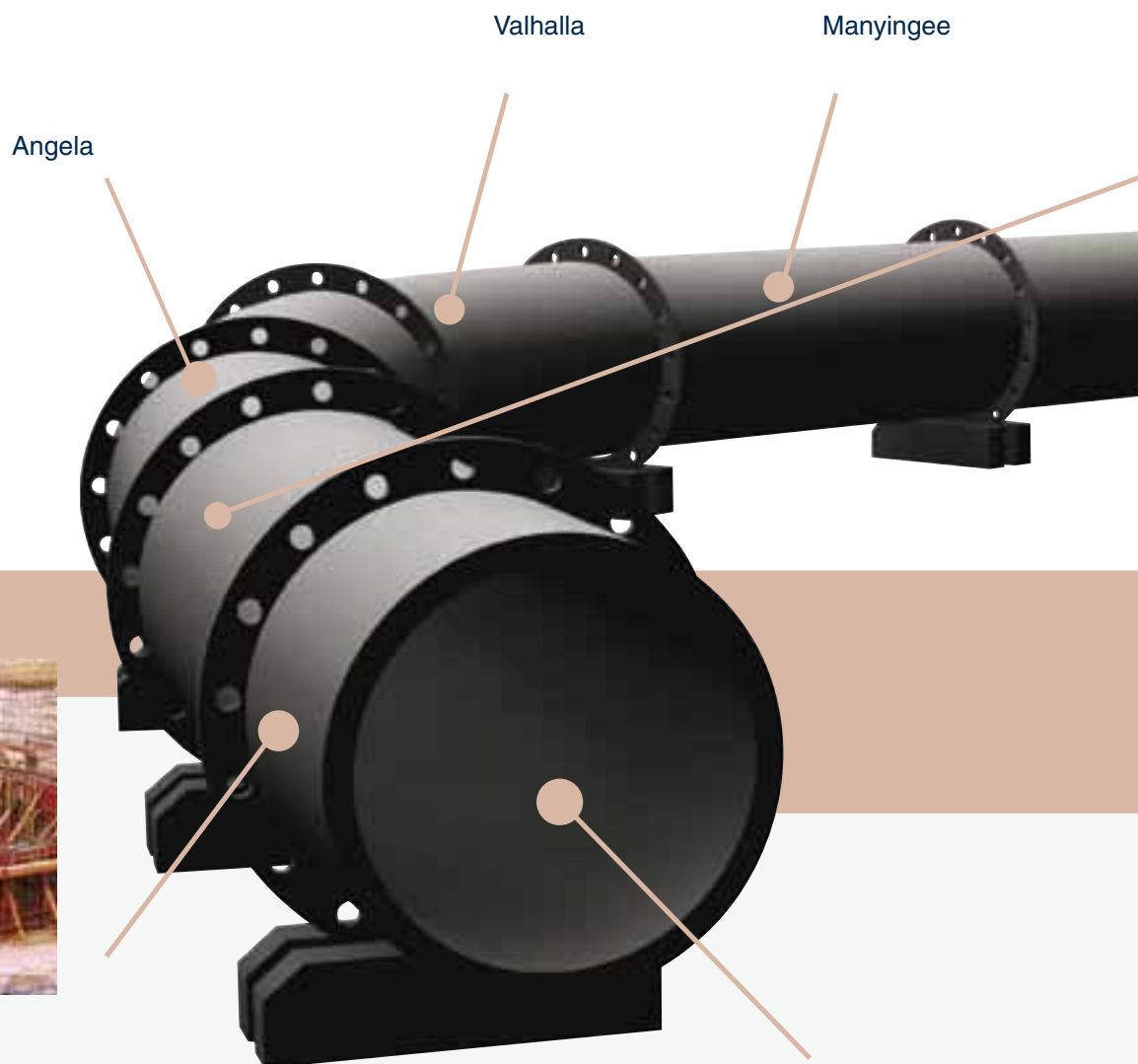
Achieving across the spectrum  
with a clear and enduring  
commitment to become a major  
global uranium supplier



## corporate values

- **Create** shareholder wealth and develop the considerable opportunities it has generated to become a major player in the global uranium supply market.
- **Operate** with a safe best practice philosophy having due regard for the environment.
- **Reward** employee performance and provide a fulfilling work environment.
- **Contribute** to the growth and prosperity of the countries in which Paladin operates by conducting operations in an efficient and effective manner and by seeking out opportunities for expansion.
- **Respond** to the attitudes and expectations of the communities in which it operates as part of its corporate social responsibility obligations.
- **Act** with integrity, honesty and cultural sensitivity in all of its dealings.

# paladin snapshot

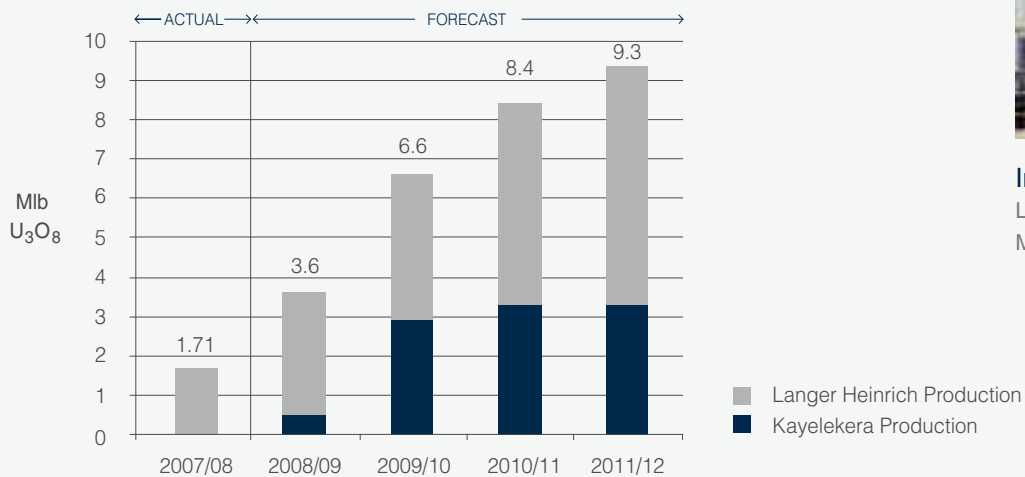


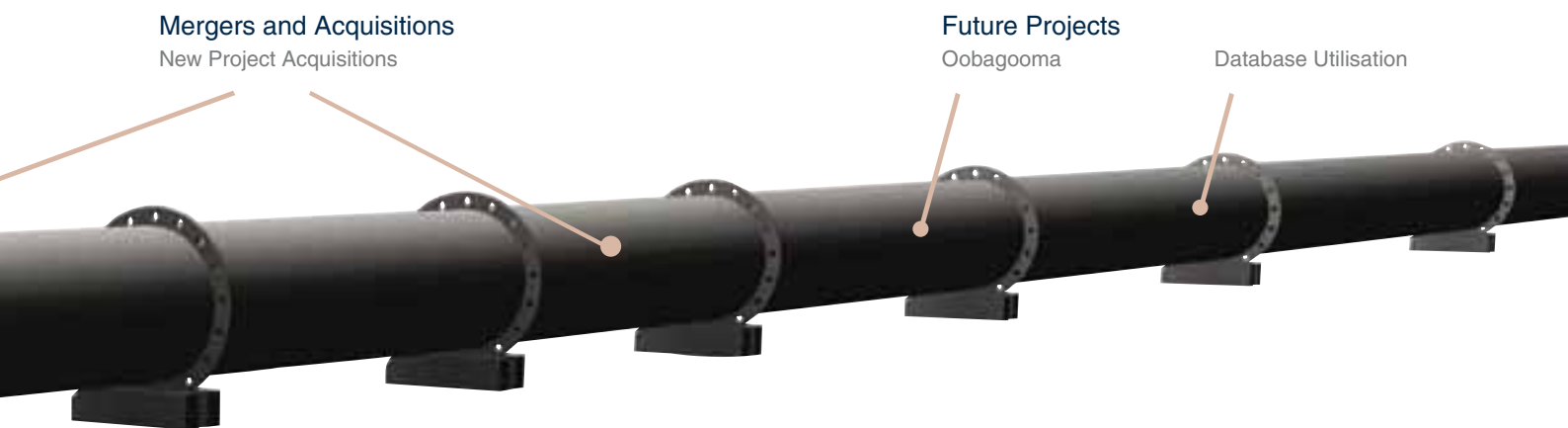
**In Construction**  
Kayelekera



**In Production and Expansion**  
Langer Heinrich Uranium  
Mining Operation

## 4 Year Production Outlook





## Strong Project Pipeline

### highlights

- **Achieving** stated operational objectives at Langer Heinrich, Namibia
  - planning 3.1Mlb U<sub>3</sub>O<sub>8</sub> for 12 months ending June 2009
  - substantial resource upgrade to support long mine life
- **Constructing** mine at Kayelekera, Malawi
  - commissioning from January 2009
- **Expanding** at Langer Heinrich
  - commissioning Stage II from January 2009
  - commence Stage III expansion in 2009 to reach 6Mlb pa
- **Continued** growth of project pipeline
  - Angela Project (NT)
- **Continuing** evaluation of further M&A opportunities on defined strategic expansion path
- **Aggressive** exploration leading to significant expansion of resource base
- **Establishing** an integrated uranium trading entity
- **Cash** position US\$337M and a strong balance sheet

progress with excellence



Kayelekera

## chairman's letter

It is now widely accepted that those involved in the nuclear fuel cycle are contributing positively to the goal of reducing greenhouse gas emissions.



The Paladin Board: Gillian Swaby, Sean Llewelyn, Donald Shumka, Rick Crabb, Ian Noble and John Borshoff.

The central theme of my 2007 Chairman's letter was the emergence of Paladin Energy as a uranium producer. It has been a challenging year since then, particularly in the commodity and equity markets. However, I am firmly of the view that Paladin Energy remains well poised for strong future growth as a key player in the global uranium supply industry.

As is documented elsewhere in this Annual Report, the prominence of nuclear fuel to generate electricity is growing. It is now widely accepted that those involved in the nuclear fuel cycle are contributing positively to the goal of reducing greenhouse gas emissions.

Langer Heinrich has now been operational for over 18 months and notwithstanding some teething problems, we now have confidence in achieving nameplate production. Given the considerable technical, environment and social issues involved in bringing a uranium mine into operation, this has been a fantastic achievement. It is a credit to the Langer Heinrich teams (both the 'builders' led by Jim Morgan and the 'operators' led by Wyatt Buck) and on behalf of my Board and shareholders, I thank them all.

Moreover, the Company is well advanced on engineering and construction for Stage II of Langer Heinrich, to take annual production to 3.7 million pounds uranium oxide per annum. Having regard to the long-term resource base in the Langer Heinrich deposit and the world demand for new production, the Company quickly moved to planning and preliminary engineering design for the Stage III expansion, to further materially increase annual production.

Concurrent with the substantial activity at Langer Heinrich, steady progress has been made on construction of the Kayelekera Mine in Malawi. Commissioning and production ramp-up will commence early 2009, with annual scheduled production of 3.3 million pounds uranium oxide to be reached in 2010. This project is a major economic driver for Malawi and with an onsite construction workforce of around 1,250 people (some 75% of whom are Malawian) is already having a significant positive impact on the wonderful people of that country.

The Kayelekera construction project recently achieved 2,000,000 man-hours lost time injury free. This is a positive reflection on management's commitment to health and safety and also on the manner in which the Malawian workforce has adopted the Company's world's best practice requirements.

Considerable work was also undertaken on the Company's cornerstone Australian uranium project, in Mount Isa, which is steadily progressing to present to the Queensland government as an important economic project for that State and which will contribute positively to satisfying world demand for carbon free electricity generation.

The award to Paladin Energy and its joint venturer, Cameco Australia Pty Ltd, by the Northern Territory government of the Angela/Pamela project has given the Company a superb base from which to launch its Australian uranium production aspirations (upon meeting appropriate feasibility and regulatory requirements for the Angela/Pamela project).

The timely raising of US\$325 million by a convertible note issue in February 2008 is a key component to my opening observation that Paladin Energy is well placed for future opportunities. The Company has a strong commitment to both organic and inorganic growth in an orderly and sustainable fashion. The Board and senior management have therefore, over the past year in particular, continuously reflected upon growth opportunities within the evolving uranium supply space.

I anticipate that the forthcoming 12 months or so will reveal further fascinating developments both for the industry at large and Paladin Energy in particular.

Paladin's Corporate Social Responsibility ethos requires us to consider the interests of host societies by taking account of the effect of our activities on key stakeholders, including employees, local suppliers, communities, governments and interested non-government organisations, as well as our impact on the environment. In so doing, Paladin looks beyond its minimum statutory obligation to comply with relevant legislation and voluntarily seeks to take steps to improve the quality of life of its employees and their families, as well as for the local community and host society at large.

On behalf of my Board and shareholders I again extend my sincere thanks to John Borshoff and all Paladin Energy Group employees for their ongoing valuable contribution to our Company.

Mr Rick Crabb  
Chairman

# executive team

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During the past year the Executive Team was further strengthened with the appointments of additional highly experienced management personnel. Paladin is an emerging global uranium supply and mining company and requires the best staff possible to grow and develop the Company to its full stated potential.



**Mr John Borshoff**  
Managing Director



**Ms Gillian Swaby**  
Company Secretary



**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 Brendan O'Hara**  
General Manager  
– Special Projects & Risk



**Mr David Marsh**  
General Manager  
– Technical Project Development



**Mr Simon Solomons\***  
Executive General Manager  
– Operations Development



**Mr Andrew (Jim) Morgan**  
General Manager  
– Project Construction



**Mr Ed Becker**  
General Manager  
– Geology & Exploration



**Ms Cathy Gupanis\***  
General Manager  
– Sustainable Development



**Mr Greg Walker\***  
General Manager  
– International Affairs

\* New appointments



moving from strength to strength

Pictures left to right: (1) and (2) Kayelekera

## nuclear power – the essential partner

Nearly every aspect of development – from reducing poverty to improving health care – requires reliable access to modern energy services. Faced with a growing shortfall of energy and rising fossil fuel prices, many countries are now looking to nuclear power as a way to increase the diversity of their energy supplies. A factor driving the renewed interest in nuclear power is that it emits almost no greenhouse gases.

(Annual Report 2007, International Atomic Energy Agency (GC(52)9, p1)



Communities around the world are confronting difficult energy choices.

Rising oil prices are a warning that the era of cheap and abundant transport fuel may be drawing to a close. Universal concern about climate change and the impact of global warming is forcing a re-appraisal of the use of carbon-emitting fossil fuel in the energy generation sector of most economies. Rapid and massive economic growth in China and India, and significant economic reform in Eastern Europe and parts of Latin America are increasing demand for global energy fuels as well as driving up the prices of raw materials and food. In this context it is no surprise that nuclear energy is emerging as the major low cost, reliable, low carbon, large scale energy technology for the 21<sup>st</sup> century.

### Nuclear Power Today

Nuclear power is not a new technology. With over fifty years of commercial operation, nuclear power reactors are now an established part of global electricity production. Critics of the industry tend to overlook the significant, and in many countries quite indispensable contribution existing nuclear power plants already make to energy production.

It is the excellent performance of the operating reactor fleet which forms the solid foundation for the expansion of nuclear power in the years ahead.

In 2007 there were 439 nuclear power reactors operating in 30 countries. The proportion of nuclear electricity to total electricity production varies, but 19 countries are dependent on nuclear power for more than 15% of their electricity production and several countries are more than 50% dependent.

Worldwide, nuclear power produced 16% of total electricity production, a factor that has been almost constant over the past 20 years.

While it is true that reactor building slowed down considerably during the nineties, especially in Europe and the USA, this did not significantly reduce nuclear power's share of electricity production because many reactor operators were able to systematically raise output from existing plants. The most graphic example of this is in the USA where improvement to reactor output in the period 1990 to 2002 was the equivalent of building 25 new power plants.



Pictures left to right: (1) and (2) Langer Heinrich

The next wave of nuclear power plants will be driven by the twin imperatives of meeting aggressive energy demand in a severely carbon-constrained environment.

### Nuclear Power Tomorrow

There are presently 35 reactors under construction. 34 of these new plants are additions to existing fleets in 12 countries and have been in the planning process for many years. Completion of these plants is really the end of the “first phase” of nuclear reactor construction, commissioned in a different world for less urgent needs.

The next wave of nuclear power plants will be driven by the twin imperatives of meeting aggressive energy demand in a severely carbon-constrained environment.

The challenge presented by economic growth cannot be understated. According to the OECD's *International Energy Agency*, total world primary energy demand grew by 54% between 1980 and 2004, and is projected to continue to grow at the same rate (about 1.6% per year) to 2030. Electricity growth will be even stronger and is projected to double from 2004 to 2030 due primarily to population and economic growth in the developing world.

If the current energy fuels mix (coal 40%, oil 10%, natural gas 15%, hydro and others 19%) is not changed, then the world's CO<sub>2</sub> emissions from energy production will rise by 55% in direct contravention of the *International Panel on Climate Change's* 2007 recommendation that the world *reduce* CO<sub>2</sub> emissions by between 50% to 80% of 2000 levels by 2050.

As governments and international agencies grapple with climate change policies it is becoming increasingly obvious that nuclear power has a vital and possibly pivotal role in achieving significant energy de-carbonisation. The *International Energy Agency's* “*Energy Technology Perspectives*” (OECD/IEA 2008) identified a need for 32 gigawatts of new nuclear capacity each year between now and 2050 as a key component of power sector carbon abatement. This implies building up to 1,000 new nuclear power plants over the next 42 years. Similar conclusions have been reached by independent studies worldwide.

The next wave of nuclear power plants will be different.



## Strong Growth Needs More Uranium Supply from Mining

Countries with existing fleets will inevitably add more. In the USA applications for up to 34 new reactors are expected by 2010 under the strong endorsement of both presidential candidates. China, India, and Russia have announced substantial new reactor construction plans. Japan and Korea have re-affirmed their long-term commitment to nuclear power and will continue ambitious plant building.

Pressing energy imperatives mean new countries will inevitably join the nuclear power industry, and those who abandoned nuclear power will think again. Italy, which abandoned operating nuclear plants in the eighties, has announced it will resume construction within five years. In Germany the pledge to phase out nuclear power by 2021 is under serious questioning for the first time as the wisdom of shutting down 17 reactors producing up to 30% of the nation's electricity seems increasingly short-sighted.

Countries as diverse as Vietnam, Indonesia, the United Arab Emirates, Egypt, Morocco, Syria, Jordan, Saudi Arabia, and Turkey are now seriously studying nuclear power.

The potential for a massive expansion of the world's nuclear power fleet presents particular challenges for the reactor vendors and the fuel supply industry.

Paladin has consistently maintained that while there are adequate uranium resources to underpin the new nuclear power age, the supply-demand balance will be severely stretched for many years to come because uranium production will continue to lag reactor requirements. Restrictions on uranium mining and development in some countries, long licensing lead times, complex tax or regulatory systems, all work together to retard rapid growth in natural uranium output. Buyers, who have become accustomed to a wide range of supply choices, including an abundance of secondary material, may face a tighter market with more competition for limited strategic supply.



developing innovative capability

Pictures left to right: (1), (2) and (3) Kayelekera

## management discussion and analysis

The past year was distinguished by dynamic achievement across the entire Company.



The following Management Discussion and Analysis (MD&A) for Paladin Energy Ltd (Paladin or the Company) should be read in conjunction with the Directors' Report and the audited Financial Report for the year ended 30 June 2008. The effective date of this report is 11 September 2008.

The financial information presented in this MD&A has been prepared in accordance with applicable International Financial Reporting Standards (IFRS), other mandatory professional reporting requirements and the Corporations Act 2001.

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.

Additional information relating to the Company, including public announcements, is available at [www.paladinenergy.com.au](http://www.paladinenergy.com.au).

## Forward Looking Statements

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

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

## Overview

The Company operates in the minerals resources industry focused on the development and operation of uranium projects in Africa and Australia, as well as pursuing evaluation and acquisition opportunities throughout the world. The Company is incorporated under the laws of Western Australia with a primary share market listing on the Australian Securities Exchange and additional listings on the Toronto Stock Exchange in Canada; and Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe, and on the Namibian Stock Exchange.

The past year was distinguished by dynamic achievement across the entire Company.

The Langer Heinrich Uranium Mine (Langer Heinrich) in Namibia emerged from a protracted production ramp-up period to report production of 1.71Mlb  $U_3O_8$  for the year and reached design output in June 2007. As a consequence, Langer Heinrich has reported an operating profit of US\$11.0M and is now performing in accordance with the Company's expectations. Work on the Stage II expansion at Langer Heinrich which will increase annual production from 2.6Mlb  $U_3O_8$  to 3.7Mlb  $U_3O_8$  is on budget and on schedule for completion by the end of 2008. The Company is proud of the achievement of everyone at Langer Heinrich and we are confident that we have built a significant new, robust, long-life, uranium production facility which will generate consistently good rewards for our shareholders and benefit other stakeholders.

The Kayelekera Uranium Project (Kayelekera) in Malawi is also making outstanding progress towards commissioning and ramp-up beginning in January 2009. At the time of this Report, the project was 61% complete, with all major construction and procurement contracts awarded. The construction workforce peaked at around 1,500 persons of whom at least 75% were Malawians. A team of experienced senior professional operations staff have been recruited in readiness for progressive hand-over from construction to operations. The Company's obligations to the community have not been neglected. A comprehensive community development program is in place which enables trained personnel to provide direct support and assistance to communities in areas of general health, HIV/AIDS education and prevention, nutritional awareness, and agricultural development and training.



Pictures left to right: (1) Langer Heinrich offices, Swakopmund, Namibia (2) and (3) Yellowcake

The Company is also assisting in the design and will fund a new water supply project to provide a significantly upgraded potable water supply to the 45,000 people living in the Karonga region. The Government of Malawi has generously agreed that the new water supply system will be named after Garnet Halliday who died tragically in an aircraft accident in Malawi in 2007.

Despite turbulent financial markets during the past year, the Company successfully raised US\$325M in a Convertible Bond issue in March 2008 and enjoys a strong balance sheet with net assets of US\$1.4Bn including US\$337M in cash at the end of the financial year.

The outlook for the nuclear industry has never looked better. Nuclear power is now firmly on the agenda as a core strategy for low carbon electricity production, not only in countries which already have nuclear power plants, but also in many other countries, most of which will inevitably proceed with some form of nuclear electricity.

The Company is committed to its strategy of progressive development of its uranium resources, complemented by strategic M&A activity, supported by opportunities arising from its new marketing entity, Paladin Nuclear, to establish a global footprint underpinned by significant uranium production to meet the growing demand for nuclear fuel.

## Health & Safety

Paladin is committed to working with its employees and contractors to create a safe working environment across its operations. It is extremely pleasing to note that at Kayelekera, the first major mining development in Malawi, Paladin and its contractors have completed more than 2,000,000 man-hours lost time injury free.

At Langer Heinrich only 4 LTIs were recorded, all of a relatively minor nature. The Company continues to place the health and safety of its workers as top priority and is proud of the safety record achieved.

## Corporate Social Responsibility

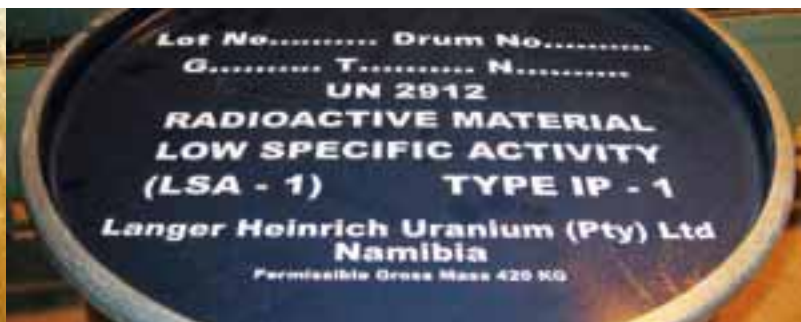
In addition to creating shareholder wealth, Paladin's core values address contributing to the growth and prosperity of host countries and responding positively to community needs and expectations.

Paladin seeks to meet its Corporate Social Responsibility undertakings through the following actions:

- **Stakeholder Consultation:** Paladin understands the linkages and interdependencies between the Company and its stakeholders and encourages communication with stakeholders at local, national and international levels.
- **Ethical Business Behaviour:** Internally and externally, ethical behaviour is reinforced through a formal ethical code and non-tolerance of corrupt and unethical behaviour or practices.
- **Social Accountability:** Paladin believes that the Company is accountable to stakeholders for its social impacts and effectively monitors and reports social performance.
- **Community Development:** Paladin actively supports a range of community social development and local business development initiatives in consultation with local communities.

## Operations – Langer Heinrich Uranium Mine, Namibia

The 2007/2008 financial year saw the first full year of production with 1.71Mlb  $U_3O_8$  produced to 30 June 2008. The operation now employs 190 people directly and a further 200 people indirectly through contracting companies.



During the ramp-up phase a number of improvements were made to the plant with the aim of de-bottlenecking portions of the plant and increasing processing capacity. A number of these improvements have now been incorporated into the Stage II upgrade with the intention of lifting production to 3.7Mlb  $U_3O_8$  per year.

During April 2008 a localised rain event flooded a portion of the pit. Work had already commenced on the next stage of mining and no production interruption occurred. No other significant safety or environmental incidents occurred during the year.

In June 2008 studies began on an updated resource estimation following the completion of 17,731m of RC drilling from 717 holes. The resource upgrade represents a 64% increase in metal content over the previous Mineral Resource and now stands at 56.4Mt at a grade of 0.06%  $U_3O_8$  containing 32,858t  $U_3O_8$  in the Measured and Indicated categories. The Mineral Resource also contains 70.7Mt at a grade of 0.06%  $U_3O_8$  containing 41,557t  $U_3O_8$  in the Inferred category. Figures are quoted at a 250ppm  $U_3O_8$  cut-off grade.

Langer Heinrich sold 1.41Mlb  $U_3O_8$  with a gross value of over US\$93.8 million during the year. Problems encountered with matching shipping availability to production that occurred in the previous year have now been resolved and, as a consequence, Langer Heinrich's business performance has improved markedly.

### Development – Kayelekera Uranium Project, Malawi

Paladin has made significant progress in the project development phase of Kayelekera. The project is now 61% complete with all major construction and procurement contracts having been awarded.

The project remains on schedule and within budget and it is expected that the operation to be commissioning during January 2009. The construction project currently employs a workforce of around 1,250 people with 75% of these workers being Malawians.

The project has an enviable safety record having recently achieved 2,000,000 man-hours lost time injury free. Paladin is clearly developing skills and a work culture focussed on exceptionally high safety standards and environmental awareness within the local construction workforce. This will provide a firm platform from which the operational workforce can develop.

Some key developments to date are the construction of the site's main access roads, completion of the planned earthworks and good progress with the in-plant civil and steel erection works. Major activities such as the completion of the on-site 10 MW power station and erection of the SAG mill's main rotating components are providing a good indication that the project is on track for completion this year.

A grade control drilling programme of approximately 13,000m has been undertaken to allow more accurate scheduling of material from the pit with open pit mining having commenced in June 2008. It is planned to have approximately 65,000t of ore feed available by the scheduled commissioning date.

Resource definition drilling to accurately define the limits of the orebody and upgrade the Inferred Resources to Indicated and Measured status – comprising 6,458m and 95 holes – was completed during December 2007 and upgrade resource and reserve estimation is currently being carried out.

Exploration was commenced on four Exclusive Prospecting Licences (EPL) to the east, west and south of the Kayelekera mining lease. To date this exploration has been limited to ground follow-up of previously identified airborne radiometric targets with scout drilling of some of the prospects planned to start in September 2008. A new airborne radiometric survey covering all of the Karoo sediments on Paladin's EPL's was flown in the September 2008 quarter.



Pictures left to right: (1), (2) and (3) Kayelekera

## Exploration and Evaluation

In Queensland at the Mount Isa uranium project, Paladin, through the Isa Uranium Joint Venture operating committee, approved a budget of A\$8M for the financial year. This budget allowed the development of a drilling plan of 147 drill holes for a total of 50,000m at the Valhalla project. This program was aimed at ensuring that the majority of the upper 400m of the resource falls into the Measured and Indicated Resource categories. In addition, a number of drill lines have been planned to test for the expected strike extension of the mineralisation.

Following drilling completion in late 2007, a new resource estimate for the Skala uranium deposit has been completed. The Inferred Mineral Resource now stands at 7.6Mt at a grade of 508ppm  $U_3O_8$  for 3,781t  $U_3O_8$  at a cut-off of 250ppm. Geological mapping, as well as ground radiometric and magnetic surveys are expected to further extend the Skala deposit.

Following a drilling program completed in late 2007, a new resource estimate has been undertaken for the Bigryli Uranium Project with the results announced in February 2008. The new estimate has increased the Indicated Resource to 2.3Mt at a grade of 1,739ppm for 4,053t  $U_3O_8$  and Inferred Resources to 5.2Mt at a grade of 1,250ppm for 6,537t  $U_3O_8$  at a 500ppm cut-off grade. A scoping study undertaken by Energy Metals in July 2008 indicated that the project is viable with a potential annual production of approximately 1.5Mlb  $U_3O_8$ . The Joint Venture has approved an ongoing drill program of approximately 15,000m RC and 2,000m diamond drilling as well as a small grade control programme to define the lateral extent of the mineralisation.

In February 2008 a joint venture between Paladin Energy Minerals NL and Cameco Australia Pty Ltd was awarded the Angela project located 25km south of Alice Springs in the Northern Territory. Work is presently under way to digitise all of the existing historic data which has been located within Paladin's uranium database to enable the Joint Venture to rapidly advance the project. At the present time the Joint Venture partners are awaiting the granting of Exploration Licences by the Northern Territory government.

## Corporate

The Company issued US\$325M in convertible bonds on 11 March 2008 with an underlying coupon rate of 5%, maturing on 11 March 2013 and with a conversion price of US\$6.59 for Company shares. Proceeds are being used to further advance Kayelekera, establish a uranium marketing subsidiary, fund opportunities as they arise for acquisitions and corporate growth, and for general corporate purposes.

## Australia's Uranium Politics

Australia's policies on the mining and export of uranium continue to follow the trend of greater bipartisan acceptance of mining between the major political parties.

At the National Conference in April 2007, the federal Australian Labor Party abandoned its traditional opposition to the development of new uranium mines. The outcome of the decision was that the approval or prohibition of uranium mining is now a matter for each state. The Labour governments of South Australia and the Northern Territory are receptive to new uranium projects. The Labor governments of the states of Queensland and Western Australia have maintained the status quo under which uranium mines are prohibited.

The Labor Party was elected to federal government in November 2007. Its policy is to encourage further development of the uranium industry. It has renewed funding for the Uranium Industry Framework and (in a time of sharply increased budgetary constraint) has committed A\$10.6 million over four years to develop its goals for the uranium industry.

Earlier this year, the Federal Resources Minister, The Hon Martin Ferguson, was quoted in the media as saying that uranium will play an important role in powering nuclear reactors in other countries wanting to cut their greenhouse gas emissions, that uranium has a bright future and that it is going to lead to increased export earnings for Australia and jobs. He went on to say that "Queensland and Western Australia, at a point, will fall into line. The uranium industry will open up."



## Current Market and Long-Term Uranium Outlook

In the past year the uranium market, as measured by the commonly used published prices for the spot market and the long-term market, has softened from its highest point in June 2007. The Company believes that current price levels are a temporary phenomenon, influenced only in part by interactions of primary buyers and sellers. The short-term uranium market has been affected by deteriorating credit markets worldwide, which may have stimulated some liquidation of inventories accumulated by financial participants during 2006 and 2007. There is evidence that some utilities have now met their immediate forward requirements and so will not need to return to the market until 2010 or 2011, which may have absorbed some momentum from the market over the last year. However, there remain significant unfilled requirements amongst a regionally diverse range of utilities which will begin to apply pressure to the market over the next few years.

The Company believes that sections of the industry tend to over-estimate future uranium production, both from existing and new sources, and under-estimate the widening supply-demand gap.

Future unfilled requirements from the operating fleet will be exaggerated by the need to purchase fresh core material for the significant new reactor build planned worldwide. Primary uranium production will continue to lag demand as producers grapple with rising capital and operating costs, licensing and regulatory delays, and unforeseen technical challenges.

## Management Team Development

Paladin has continued to build an executive team with substantial uranium and resource industry experience operating over a wide spectrum of activities covering production, operations development and construction, technical (geology, engineering, metallurgical, environmental and radiological), marketing, corporate and finance – all in a global context.

## M&A Activities

Paladin continues to evaluate uranium opportunities as part of its stated strategic objective to achieve an appropriate global production footprint. The Company is considering both specific advanced project opportunities and corporate acquisitions where good assets with clear production potential are identified that show value accretion potential.



Pictures left to right: (1) Transporting yellowcake product from Langer Heinrich (2) Kayelekera construction and (3) Kayelekera pre-strip mining

## Review of Operations

Paladin's total Mineral Resource inventory includes 69,600t U<sub>3</sub>O<sub>8</sub> (153.4Mlb of U<sub>3</sub>O<sub>8</sub>) at 0.071% U<sub>3</sub>O<sub>8</sub> in the Indicated and Measured categories, a 14% increase from that reported in the previous year. Paladin also holds 67,900t of U<sub>3</sub>O<sub>8</sub> (149.7Mlb of U<sub>3</sub>O<sub>8</sub>) at 0.06% U<sub>3</sub>O<sub>8</sub> in the Inferred Resource category, a 70% increase from that reported for the previous year. A summary of the status of each of the advanced projects is detailed in the following table. This table does not include Inferred Resources from Bikini, Andersons and Watta deriving from Paladin's 81.99% ownership of Summit Resources Ltd.

### Paladin Uranium Project Summary

| Criteria                                | Langer Heinrich Project*                                                                            | Kayelekera Project*                                                                                 | Manyingee Project**                                                                              | Oobagooma Project                                                                                       | Valhalla Deposit*                                                                                   | Skal Project                                                                                     | Bigryli Deposit*                                                                                  | Angela Deposit                                                                                                 |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Paladin equity                          | 100%                                                                                                | 85%                                                                                                 | 100%                                                                                             | 100%                                                                                                    | 91%                                                                                                 | 91%                                                                                              | 42.06%                                                                                            | 50%                                                                                                            |
| Location                                | Namibia,<br>Southern Africa                                                                         | Malawi,<br>Southern Africa                                                                          | West Pilbara,<br>Western Australia                                                               | West Kimberley,<br>Western Australia                                                                    | Queensland,<br>Australia                                                                            | Queensland,<br>Australia                                                                         | Northern Territory,<br>Australia                                                                  | Northern Territory,<br>Australia                                                                               |
| Deposit Type                            | Calcrete                                                                                            | Sandstone                                                                                           | Sandstone                                                                                        | Sandstone                                                                                               | Metasomatic                                                                                         | Metasomatic                                                                                      | Sandstone                                                                                         | Sandstone                                                                                                      |
| Measured & Indicated Resources          | 56.4Mt @ 0.06% U <sub>3</sub> O <sub>8</sub><br>(32,858t U <sub>3</sub> O <sub>8</sub> )<br>72.4Mlb | 15.3Mt @ 0.09% U <sub>3</sub> O <sub>8</sub><br>(13,630t U <sub>3</sub> O <sub>8</sub> )<br>30.0Mlb | 7.9Mt @ 0.1% U <sub>3</sub> O <sub>8</sub><br>(8,080t U <sub>3</sub> O <sub>8</sub> )<br>17.8Mlb | -                                                                                                       | 21.3Mt @ 0.08% U <sub>3</sub> O <sub>8</sub><br>(16,900t U <sub>3</sub> O <sub>8</sub> )<br>37.2Mlb | -                                                                                                | 2.3Mt @ 0.17% U <sub>3</sub> O <sub>8</sub><br>(4,053t U <sub>3</sub> O <sub>8</sub> )<br>8.9Mlb  | -                                                                                                              |
| Inferred Resource                       | 70.7Mt @ 0.06% U <sub>3</sub> O <sub>8</sub><br>(41,557t U <sub>3</sub> O <sub>8</sub> )<br>91.6Mlb | 3.4Mt @ 0.06% U <sub>3</sub> O <sub>8</sub><br>(2,040t U <sub>3</sub> O <sub>8</sub> )<br>4.5Mlb    | 5.5Mt @ 0.05% U <sub>3</sub> O <sub>8</sub><br>(2,810t U <sub>3</sub> O <sub>8</sub> )<br>6.2Mlb | -                                                                                                       | 12Mt @ 0.075% U <sub>3</sub> O <sub>8</sub><br>(9,000t U <sub>3</sub> O <sub>8</sub> )<br>19.8Mlb   | 7.6Mt @ 0.05% U <sub>3</sub> O <sub>8</sub><br>(3,781t U <sub>3</sub> O <sub>8</sub> )<br>8.5Mlb | 5.2Mt @ 0.13% U <sub>3</sub> O <sub>8</sub><br>(6,537t U <sub>3</sub> O <sub>8</sub> )<br>14.4Mlb | -                                                                                                              |
| Historic Resources (non-JORC compliant) | -                                                                                                   | -                                                                                                   | -                                                                                                | 8.3Mt @ 0.12%-0.14% U <sub>3</sub> O <sub>8</sub><br>(9,950t U <sub>3</sub> O <sub>8</sub> )<br>21.9Mlb | -                                                                                                   | -                                                                                                | -                                                                                                 | 11Mt @ 0.1%-0.13% U <sub>3</sub> O <sub>8</sub><br>(12,000-13,000t U <sub>3</sub> O <sub>8</sub> )<br>26-28Mlb |
| Mining Method                           | Conventional open pit                                                                               | Conventional open pit                                                                               | In-Situ Leach                                                                                    | In-Situ Leach                                                                                           | Open pit / Under ground                                                                             | Open pit / Under ground                                                                          | Open pit / Under ground                                                                           | Open pit / Under ground                                                                                        |
| Previous Owners                         | Gencor Limited (South African Mining Company) and Acclaim                                           | Central Electricity Generating Board (UK utility)                                                   | Cogema (French utility)                                                                          | Cogema (French utility)                                                                                 | Queensland Mines Ltd                                                                                | Queensland Mines Ltd                                                                             | AGIP Australia Pty Ltd                                                                            | Uranerz Australia Pty Ltd                                                                                      |



#### Paladin Uranium Project Summary (continued)

| Criteria             | Langer Heinrich Project*                                                                           | Kayelekera Project*                                                                            | Manyingee Project**                                 | Oobagooma Project                               | Valhalla Deposit*                                                | Skal Project                                                     | Bigirlyi Deposit*                             | Angela Deposit                                      |
|----------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------|
| Activity Periods     | 1973 – 1980, 1999 to present                                                                       | 1982 – 1990, 1998 to present                                                                   | 1979 – 1988 Acquired 1998                           | 1982 – 1985 Acquired 1998                       | 1968 – 1972, 1997 to present                                     | 1970 – 1980, 2005 to present                                     | 1974 – 1983, 2005 to present                  | 1972 – 1983                                         |
| Project Status       | Stage II development underway                                                                      | Construction commenced.                                                                        | On hold. Feasibility Study in readiness.            | On hold. Resource definition drilling required. | Resource definition drilling in progress.                        | Resource definition drilling in progress.                        | Resource definition drilling in progress.     | Data compilation resource validation in progress.   |
| Project Significance | Globally first new uranium mine and mill in a decade.                                              | Significant contributor to Malawi economy 3.3Mlb U <sub>3</sub> O <sub>8</sub> /pa production. | One of only three Australian advanced ISL projects. | Large resource potential.                       | Large uranium resource.                                          | Large uranium resource. Initial JORC resource.                   | High uranium grades. Vanadium credits.        | Large uranium resource.                             |
| Timeframe            | Production commenced in 2007. 27 year project life. Expansion to 3.7Mlb/pa from end 2008 underway. | Commissioning to commence in early 2009 11 year project life.                                  | 3 year staged feasibility study required.           | 2 year reserve / resource drilling required.    | Development dependent on Queensland Government U Policy changes. | Development dependent on Queensland Government U Policy changes. | Prefeasibility Study if sufficient resources. | Prefeasibility Study to follow resource validation. |

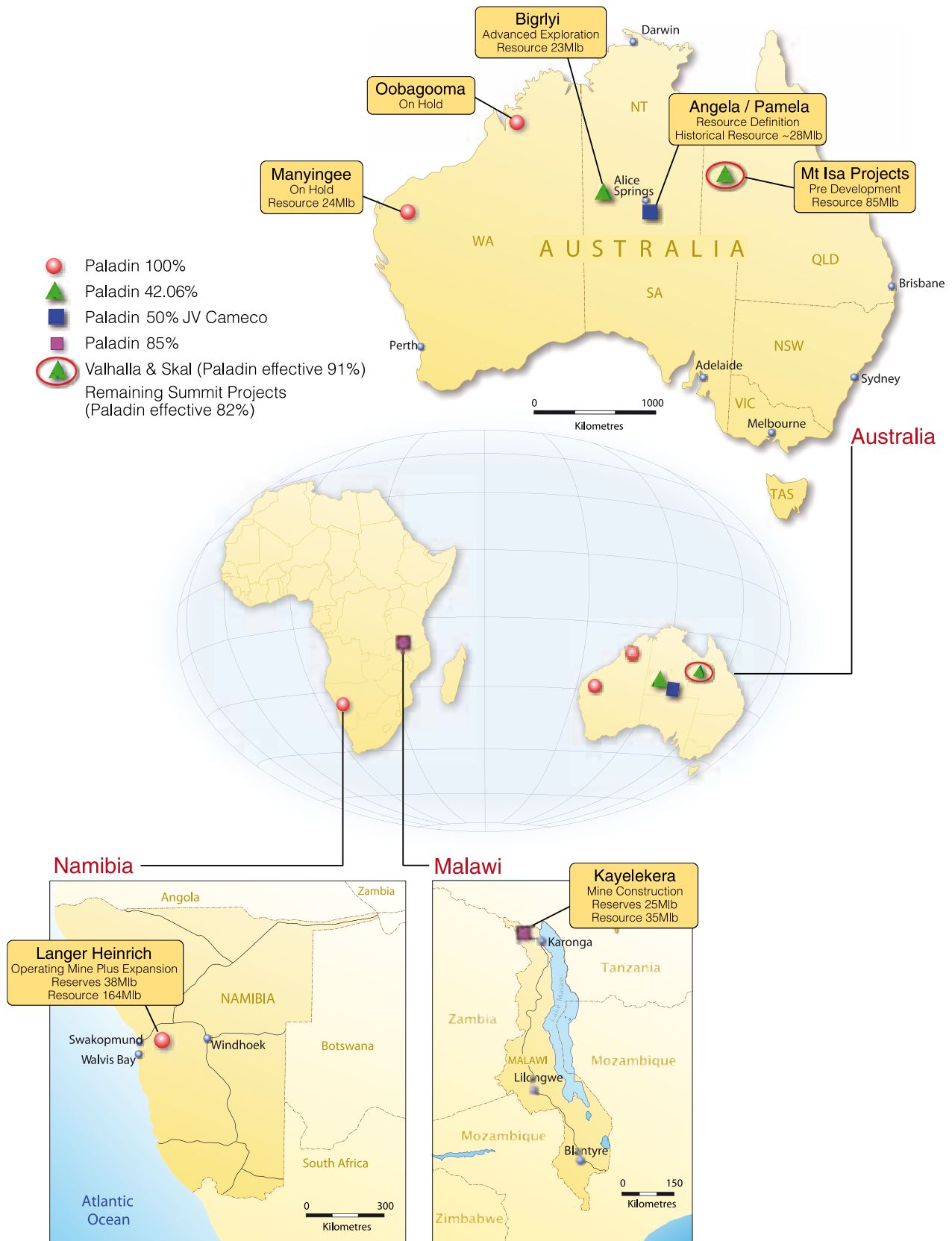
Resources are quoted inclusive of any reserves that may be applicable.

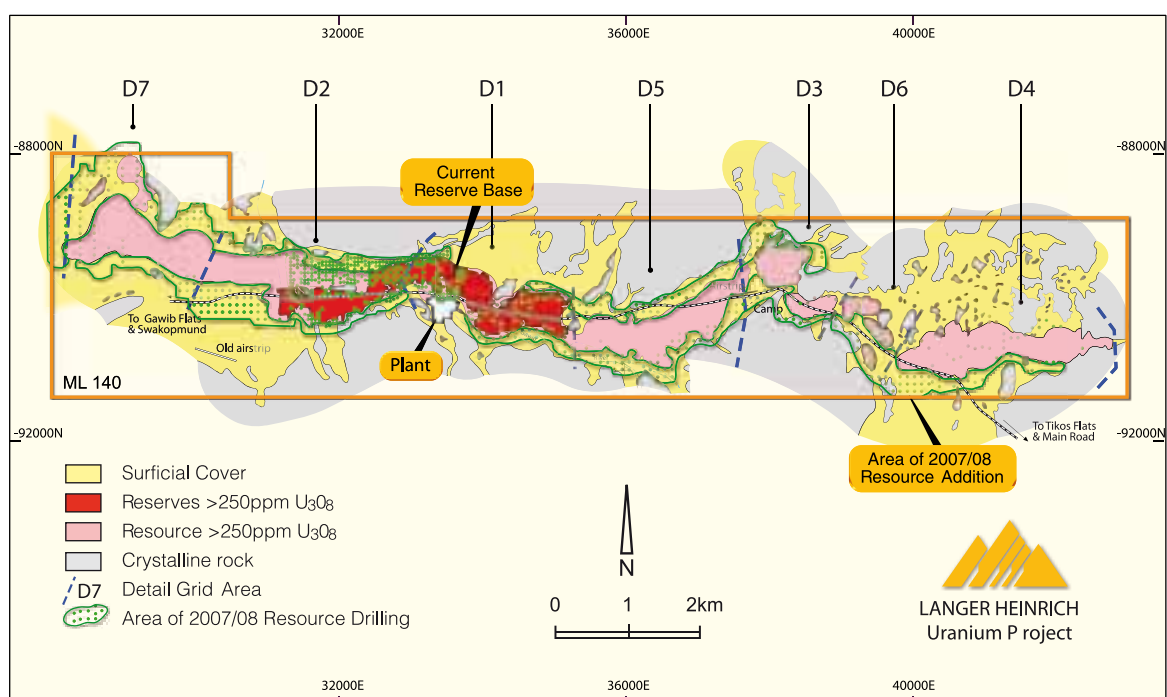
Resources detailed above in all cases represent 100% of the resource – not the participant's share.

\* JORC (2004) & NI 43-101 Compliant.

\*\* JORC (1999) Compliant.

For Valhalla and Skal, Paladin's interest is based on 50% deriving from the Mount. Isa Joint Venture and 41% via Paladin's 81.99% ownership of Summit Resources Ltd.





## NAMIBIA

### Langer Heinrich Uranium Project

The Langer Heinrich Uranium Mine in Namibia is owned 100% by Paladin through its wholly owned Namibia subsidiary Langer Heinrich Uranium (Pty) Ltd. Paladin purchased the Langer Heinrich Project in August 2002.

Langer Heinrich is a surficial, calcrete type uranium deposit containing a Mineral Resource of 74,415t  $U_3O_8$  at a grade of 0.06%  $U_3O_8$  (250ppm  $U_3O_8$  cut-off grade) in seven mineralised zones designated Detail 1 to 7, within a 15km length of a contiguous paleodrainage system. The deposit is located in the Namib Desert, 80km from the major seaport of Walvis Bay. The attached figure shows the location of the uranium mineralisation along the length of the Langer Heinrich valley.

Following the completion of a 717 hole, 17,731m RC drilling campaign to infill a major portion of Details 1 and 2 as well as close off the majority of the remaining Details, an updated Mineral Resource has been estimated for the deposit. The updated resource announced on 28 August

2008 represents a significant uplift to the previous resource announced in early 2006 with an increase of 68% in tonnes and 3% decrease in grade combining to produce a 64% increase in contained metal. The new Mineral Resource is detailed below at a cut-off grade of 250ppm  $U_3O_8$ .

### Langer Heinrich Exploration (EPL3500)

EPL3500 abuts the Langer Heinrich Mining Lease to the west and includes the sediment covered behind the western extension of the mineralised Langer Heinrich palaeochannel.

Exploration of the EPL started in 2008 with a helicopter borne EM survey to better define the palaeochannel. Widespread follow-up drilling started on the EPL in May. Early results indicate that the channel widens considerably when entering EPL3500 causing the uranium mineralisation to disperse, resulting in low grade and thin mineralisation.

A total of 31 holes including 2,919m were drilled. Five holes intersected greater than 200ppm  $U_3O_8$  all at 1m thickness varying from 271 to 504ppm  $U_3O_8$ .

Mineral Resource estimate (depleted for mining) for Details 1 to 7:-

| 250ppm Cut-off              | Mt          | Grade % $U_3O_8$ | t $U_3O_8$    | Mlb $U_3O_8$                 |
|-----------------------------|-------------|------------------|---------------|------------------------------|
| Measured Resources          | 32.8        | 0.06             | 19,582        | 43.158                       |
| Indicated Resources         | 23.6        | 0.06             | 13,276        | 29.260                       |
| <b>Measured + Indicated</b> | <b>56.4</b> | <b>0.06</b>      | <b>32,858</b> | <b>72.418 (46% increase)</b> |
| Inferred Resources          | 70.7        | 0.06             | 41,557        | 91.591 (64% increase)        |

(Figures may not add due to rounding and are quoted inclusive of any Reserves)



Pictures left to right: (1) Langer Heinrich (2), (3) and (4) Kayelekera

## Operations

The 2007/8 financial year was the first full year of production for the processing plant and in December 2007 the plant achieved its first month of full design production. Consistency in production through the plant also improved throughout the year and the plant is now continuously producing in line with its original design capacity.

The operation now has approximately 190 employees directly employed with another 200 people employed by contractors supplying outsourced services such as mining, reagent supplies, transport, security, engineering services and general site services. No significant safety or environmental incidents occurred during the year.

During the ramp-up process continuous improvements were made to the plant. The improvements were successful in de-bottlenecking areas of the plant and this contributed significantly to the improved results experienced during the latter half of the financial year.

Mining activities, through the contract miner, Karibib Mining and Construction Company, progressed very well throughout the year with above schedule production rates being achieved. Mining has now advanced to the next stage (Pit B) to the west of the starter pit (Pit A).

In April 2008 Pit A was flooded during a rain event. Fortunately the preparation of the next stage of mining was well advanced at the time and plant operations were not impacted by this flood. This did however aid the management in gaining a better understanding of the possible impact of periodic rain events and has subsequently led to modification to pit development and tailings facility designs. The rain water that is recovered from Pit A is currently being used in the processing plant to offset water purchased from Namibia Water Corporation Limited (NamWater).

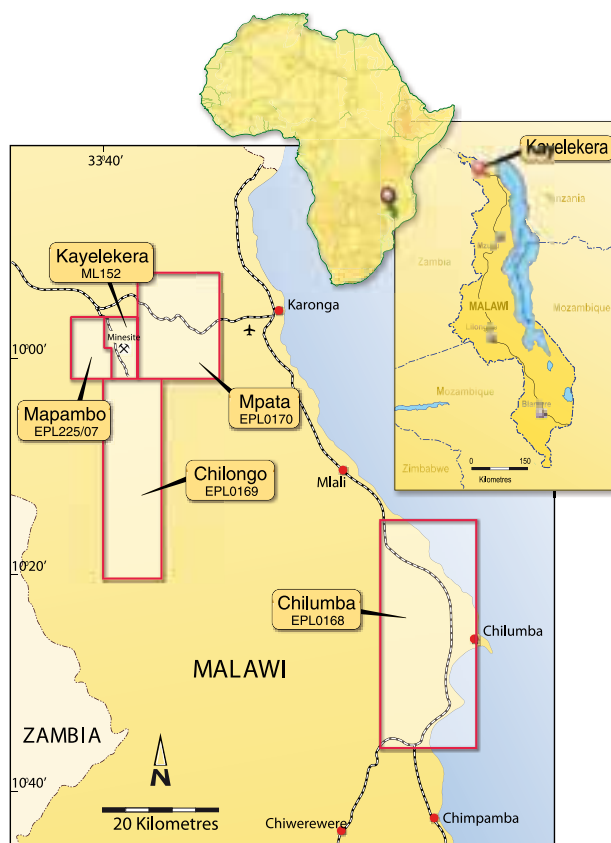
The operation of the spiral heat exchangers has remained a challenge throughout the year. The original set of spiral heat exchangers have been progressively replaced during the year following a successful insurance claim. The functioning of these units remains pivotal to the successful operation of the plant and a dedicated maintenance team has been formed to address these issues.

In recent months the ion exchange, product precipitation and product drying sections of the plant has performed well, demonstrating consistent operation at or above design capacities.

During the period under review the construction work on the Stage II plant upgrade started in various areas within the plant. The operations and construction teams work closely together with no unnecessary interruptions to production being experienced as a result of the construction activities.

In summary the Langer Heinrich operation is running well, with critical areas for attention in the plant now identified and the necessary procedures have been put in place to ensure their effective management.

## MALAWI





### Kayelekera Uranium Project

Kayelekera is located in northern Malawi, 40km west (by road) of the provincial town of Karonga and 12km south of the main road that connects Karonga with the township of Chitipa to the west.

Kayelekera is a sandstone hosted uranium deposit associated with the Permian Karoo sediments and is hosted by the Kayelekera member of the North Rukuru sediments of the Karoo. The mineralisation is associated with seven variably oxidised, coarse grained arkoses, separated by shales and chocolate coloured mudstones. Uranium mineralisation occurs as lenses within these arkose units the lowest of which is at a depth of approximately 130m.

Kayelekera is currently owned 100% by Paladin through its wholly owned subsidiary Paladin (Africa) Ltd (PAL). Paladin will transfer a 15% shareholding in PAL to the Government of Malawi under the terms of the Development Agreement signed between PAL and the Government in February 2007.

After completing a Development Agreement with the Malawi Government and a Bankable Feasibility Study (BFS) together with an Environmental Impact Assessment, the Mining Licence, ML 152, covering 5,550 hectares was granted in April 2007 for a period of fifteen years. Construction started in June 2007.

The Project is designed to give an annual production of 3.3Mlb  $U_3O_8$  from the processing of 1.5Mtpa of sandstone and associated ores by grinding, acid leaching, resin-in-pulp extraction, precipitation and drying to produce saleable product.

### Mineral Resources and Reserves

The JORC (2004) and NI 43-101 Code compliant Mineral Resource base (comprising both arkose and mudstone components) used for the BFS pit optimisation work is summarised in Table 1:-

Table 1: Mineral Resources inclusive of Ore Reserves

| Jorc Category       | Cut-Off % $U_3O_8$ | Resource Mt | Grade % $U_3O_8$ | $U_3O_8$ Kt |
|---------------------|--------------------|-------------|------------------|-------------|
| Measured            | 0.03               | 2.2         | 0.12             | 2.7         |
| Indicated           | 0.03               | 13.1        | 0.083            | 10.9        |
| Measured +Indicated |                    | 15.3        | 0.088            | 13.6        |
| Inferred            | 0.03               | 3.4         | 0.060            | 2.0         |
| Measured            | 0.06               | 1.6         | 0.16             | 2.5         |
| Indicated           | 0.06               | 7.0         | 0.12             | 8.2         |
| Measured +Indicated |                    | 8.6         | 0.13             | 10.7        |
| Inferred            | 0.06               | 1.2         | 0.09             | 1.1         |

The BFS results utilising the Measured and Indicated resources stated above (using a blend of 83% arkose and 17% mudstone) and estimated using a uranium price of US\$30/lb  $U_3O_8$  for pit optimisation purposes resulted in Ore Reserves as shown in Table 2.

Table 2: Ore Reserves, arkose cut-off 400ppm, mudstone cut-off 600ppm

| Type     | Tonnes Mt | Proved Grade % $U_3O_8$ | Metal kt | Tonnes Mt | Probable Grade % $U_3O_8$ | Metal kt | Tonnes Mt | Total Grade % $U_3O_8$ | Metal kt |
|----------|-----------|-------------------------|----------|-----------|---------------------------|----------|-----------|------------------------|----------|
| Arkose   | 1.60      | 0.14                    | 2.27     | 7.80      | 0.098                     | 7.6      | 9.40      | 0.11                   | 9.9      |
| Mudstone | 0.18      | 0.15                    | 0.28     | 0.91      | 0.13                      | 1.2      | 1.10      | 0.14                   | 1.5      |
| Total    | 1.78      | 0.14                    | 2.54     | 8.70      | 0.10                      | 8.8      | 10.50     | 0.11                   | 11.4     |



Pictures left to right: (1), (2) and (3) Kayelekera

Additional marginal material within the pit design, not included in the Ore Reserves but expected to be processed at end of mine life (i.e. years 8 to 11), is shown in Table 3. This consists of arkose above 200ppm, mudstone above 400ppm and Inferred Resources contained within the pit design.

Table 3: Marginal mineralised material contained within the pit design (Non-JORC)

| Type     | Tonnes<br>Mt | Grade<br>% $U_3O_8$ | Metal<br>kt |
|----------|--------------|---------------------|-------------|
| Arkose   | 5.7          | 0.03                | 2.0         |
| Mudstone | 0.7          | 0.08                | 0.5         |
| Total    | 6.4          | 0.04                | 2.5         |

#### Resource Drilling

Resource definition drilling to accurately define the limits of the ore body and upgrade the Inferred Resources to Indicated and Measured status - comprising 6,458m in 95 holes - was completed during December 2007. An upgraded resource and reserve estimation is currently being carried out.

#### Kayelekera Exploration

Exploration commenced on four Exclusive Prospecting Licences east, west and south of the Kayelekera Mining Lease, EPLs 168, 169 and 170 (granted 12 December 2005) and EPL 225 (granted 12 December 2007).

Exploration on EPLs 169, 170 and 225 began with follow-up of airborne radiometric anomalies as defined by a previous helicopter radiometric survey.

Ground follow-up identified an extensive target at the Mpata Prospect on EPL 170, 18km northwest of the Kayelekera minesite. Radiometric anomalies were found to be associated with two distinct arkose units along a strike length of 3km. Scout drilling of the Prospect is planned to start in September 2008.

Geological mapping and prospecting commenced on EPL 169 in the Juma area, 4 to 8km south of the minesite where a new exploration camp has been established. Initial ground work identified prospective reduced and oxidised strata showing anomalous radiometric response.

A new airborne radiometric survey covering all Karoo sediments on Paladin's EPLs was flown in the September 2008 quarter.

#### Project Development

Paladin has made significant progress with the project development phase of Kayelekera. The project is now 61% complete with all major construction and procurement contracts having been awarded.

The project remains on schedule and within budget and expects the operation to be commissioning during January 2009. The construction project currently engages a workforce of around 1,250 persons with 75% of these workers being Malawians.

The project has achieved an enviable safety record having recently achieved 2,000,000 man-hours lost time injury free. Paladin is clearly developing the skills and a culture of exceptionally high safety standards and environmental awareness within the local workforce during the project construction phase. This will provide a firm platform from which the operational workforce can develop.

Some key developments to date are the construction of the site's main access roads, completion of the plant earthworks and good progress with the in-plant civil and steel erection works. Major activities such as the completion of the on-site 10 Megawatt power station and erection of the SAG mill's main rotating components are providing a good indication that the project is on track for completion this year.

Mining activities have also commenced and pit development, haul roads and run-of-mine terrace works are all progressing smoothly.

The engineering, procurement and construction management (EPCM) consultant is Engineering and Projects Company (E&PC), a large South African based experienced EPCM contractor associated with Griniker LTA, one of Africa's largest construction companies.



Paladin has provided an experienced owner's team to oversee the development of the project and the Operations Manager and a number of other highly experienced operational staff are fully established at the site to assist with the technical and safety aspects of developing a uranium mining operation.

The project has committed over US\$171M to date and is ahead of schedule with its procurement activities. Despite a more prolonged wet season during the past year, the project is on track to deliver on its schedule and budget objectives.

#### Pre-Operations

A grade control drilling program of approximately 13,000m was undertaken to define reserves for the first 18 months of mining. At the time of writing, not all assay results were available but results to date show a strong correlation to the resource model used in the Bankable Feasibility Study.

Open pit mining commenced in June 2008 to develop initial stockpiles with the first blast occurring on 24 July 2008. Mining plans have scheduled the availability of approximately 65,000t of plant feed ore by the scheduled commissioning date.

A skilled operational team has been recruited, led by Bob Wyka (an ex-Cameco General Manager – Operations) with necessary business and operating processes being developed for implementation in late 2008. This group is ready to assist E&PC in the commissioning of the plant and then seamlessly accept full responsibility at the operational handover during the March to June quarter of 2009. Production ramp-up is scheduled over the 2009 calendar year with full design operating capacity expected to be achieved by December 2009.

The following key site activities currently being progressed are:

- pit development and drainage management controls eg stormwater drains, culverts, sediment traps;
- workforce recruitment and associated training;
- development of Operations policies, procedures and systems; and
- negotiation of major reagent and consumable supply contracts.

## QUEENSLAND

Summit Resources (Aust) Pty Ltd (SRA), a wholly owned subsidiary of Summit Resources Ltd (Summit), operates the Isa Uranium Joint Venture (IUJV) as well as the Mount Isa North Uranium Project. These areas cover approximately 1,827km<sup>2</sup> and host a number of uranium – vanadium deposits and resources including the Valhalla and Skäl deposits.

#### Isa Uranium Joint Venture

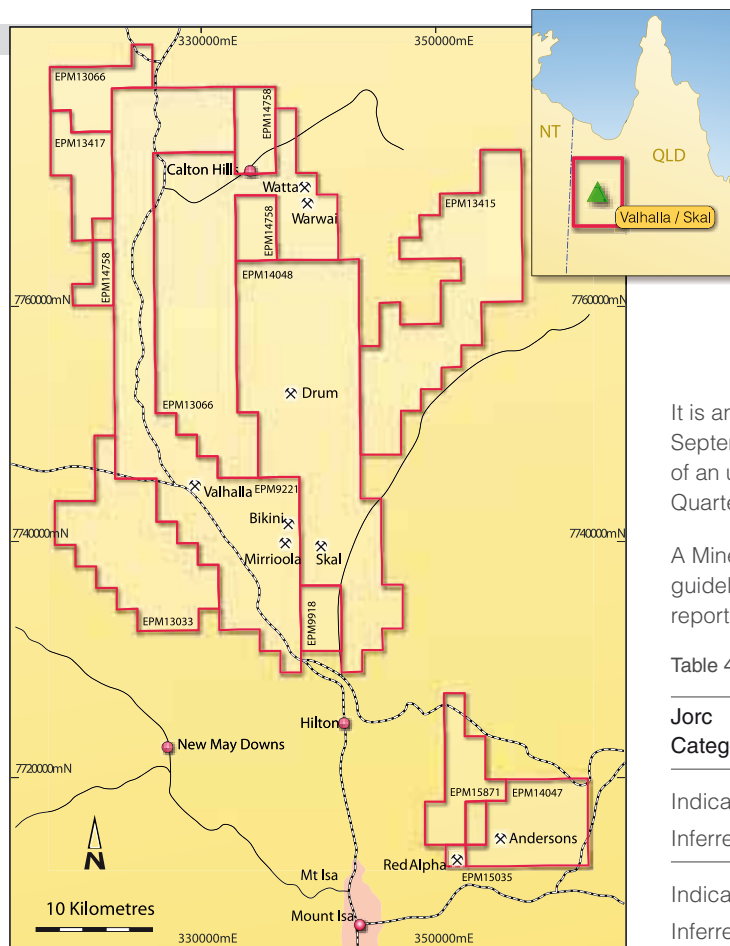
Summit Resources (Aust) Pty Ltd 50% and Manager Mount Isa Uranium Pty Ltd 50%

The IUJV covers ground containing the Valhalla and Skäl uranium deposits 40km north of Mount Isa in Queensland. Participants in the Joint Venture are SRA and Mount Isa Uranium Pty Ltd (MIU), each holding a 50% interest with SRA acting as manager.

MIU is a wholly owned subsidiary of Valhalla Uranium Ltd (VUL), a formerly listed public company and now a wholly owned subsidiary of Paladin. Following Paladin's successful takeover of VUL in 2006 and Paladin's acquisition of 81.9% of the issued capital in SMM earlier this year Paladin's effective participating interest in the IUJV is now 90.95%.

Ground subject to the IUJV covers 17km<sup>2</sup> at Valhalla and 10km<sup>2</sup> at Skäl. These two areas lie within a much larger holding of contiguous tenements of 1,827km<sup>2</sup> held 100% and managed by SRA.

The IUJV operating committee has approved a budget of A\$8M (US\$7M) for the financial year 2008/09. This amount includes an extensive drilling program, metallurgical and hydrogeological test work as well as environmental and radiation baseline studies. The drilling program at Valhalla and Skäl is aimed at extending the existing resource envelopes along strike and improving the current resource classification.



Isa North Project Area

#### Valhalla Uranium Deposit

The Valhalla uranium deposit is located 40km northwest of Mount Isa on Exploration Permit for Minerals (EPM) 9221. Previous drilling by Queensland Mines Ltd in the 1960's, and SRA in the 1990's and 2000's, established a combined Measured, Indicated and Inferred Resource of 56Mlb of  $U_3O_8$  grading 0.14%. Substantial widths of high grade uranium mineralisation in albite-carbonate-hematite breccias and mylonites as well as altered mafic schists have been intersected in the latest drilling at Valhalla. The deposit is hosted within basalts and basaltic sediments of the Eastern Creek Volcanics, trends north-south, is approximately 800m in strike length and is open to the south and at depth.

The drilling plan for 2007/08 included approximately 147 drill holes at Valhalla for a total of 50,000m including 33,000m RC and 17,000m diamond drilling. The program was aimed at ensuring that the majority of the upper 400m of the resource will fall into the Measured and Indicated Resource categories. This depth has been targeted as it is the current economic limit of any open pit development and extension into areas that would be mined from underground is not seen as a priority at this time.

In addition, a number of 80m spaced drill lines have been planned to test the expected strike extension of the mineralisation and add to the Inferred portion of the resource. Radiometric down-hole logging will and has been used to check all drill hole samples in conjunction with geochemical assaying of selected drill holes for verification.

It is anticipated that this drilling will be completed in the September 2008 Quarter which will allow for the estimation of an updated Mineral Resource in the December 2008 Quarter.

A Mineral Resource estimate conforming to the JORC guidelines, shown in Table 4, was prepared by SRA and reported during 2006.

Table 4: Valhalla Resource Statement (resources quoted at 100%)

| Jorc Category | Cut-Off % $U_3O_8$ | Resource Mt | Grade % $U_3O_8$ | Metal kt |
|---------------|--------------------|-------------|------------------|----------|
| Indicated     | 0.023              | 21.3        | 0.080            | 16.9     |
| Inferred      | 0.023              | 12.0        | 0.075            | 9.0      |
| Indicated     | 0.064              | 11.2        | 0.11             | 12.6     |
| Inferred      | 0.064              | 5.1         | 0.11             | 6.0      |

The SRA Mineral Resource estimate for the Valhalla deposit was independently checked and verified prior to announcement.

The resource at Valhalla remains open to the north and south along strike, and down plunge. Along with near surface metallurgical diamond drilling, resource drilling will now be targeted at extending the resource along strike and down plunge.

Metallurgical test work to establish the metallurgical flow sheet, recoveries and metallurgical compatibility with the Skai uranium deposit is ongoing.

#### Skai Uranium Deposit

A Mineral Resource estimate conforming to the JORC guidelines for the Skai deposit located 32km north of Mount Isa city on EPM14048 has been completed. This estimate covered all three identified Skai mineralised zones, **Skai South**, **Skai North** and **Skai Far North**, adjacent to the historic King George copper workings.

All three zones are structurally controlled, southerly plunging shoots with an accompanying low grade halo and have significant surface expression.

The Mineral Resource at Skai is estimated to be:

Inferred Mineral Resource at 250ppm  $U_3O_8$  cut-off grade

| Tonnes | Grade $U_3O_8$ (ppm) | Metal $U_3O_8$ (t) | Metal $U_3O_8$ (lb) |
|--------|----------------------|--------------------|---------------------|
| 7.6M   | 508                  | 3,781              | 8.5M                |

The current Mineral Resource estimate compares very favourably to the historic Skäl resource of approximately 11Mlb  $U_3O_8$ , reported at a slightly lower cut-off grade, as the current Mineral Resource has only been estimated to approximately 200m depth whilst the previous historic resource appears to have been extrapolated to over 300m depth. Documentation on the historic resource indicates that approximately 36% of the resource tonnes were located below 200mRL. It is likely that future drilling to extend the resource at depth and replace the historic QML holes will result in a re-classification and extension of the Skäl Mineral Resource.

The geological mapping of the prospect was expanded and ground radiometric and magnetic surveys were completed. This will enable planning for further drilling at the known mineralisation and exploration drilling of the currently untested Skäl East prospect.

#### Mount Isa North Uranium Project

Summit Resources (Aust) Pty Ltd 100% and Operator

The Project is located 10 to 70km North and East of Mount Isa. It contains numerous uranium anomalies, most of which still have to be investigated thoroughly.

Over the year SRA completed two airborne radiometric and magnetic surveys covering close to 100% of the tenement holdings at close line spacings. The results are currently being evaluated and will help to focus exploration in 2008/09.

A Mineral Resource estimate conforming to the JORC guidelines for the Bikini uranium deposit located 36km north of Mount Isa on EPM 9221 has been completed in 2008. The estimate covered the original Bikini deposit as well as the south western extension which was historically known as Pile and is based on SRA drilling only.

The current Mineral Resource estimate for the Bikini uranium deposit is:

Inferred Mineral Resource at 250ppm  $U_3O_8$  cut-off grade

| Tonnes | Grade $U_3O_8$<br>(ppm) | Metal $U_3O_8$<br>(t) | Metal $U_3O_8$<br>(lb) |
|--------|-------------------------|-----------------------|------------------------|
| 10.1M  | 517                     | 5,216                 | 11.5M                  |

The Bikini deposit now has a strike length in excess of 1,100m with mineralisation extending from surface to a depth of over 400m and is structurally complex with a characteristic southerly plunge.

The Mineral Resource has been classified as an Inferred Resource, primarily due to drill spacing and it is expected that any future infill drilling will lead to an uplift in the resource classification. Details of this resource estimation is given on the announcement made by Summit and can be viewed at [www.summitresources.com.au](http://www.summitresources.com.au).

#### Resource Status Mount Isa Region – All Projects

The Indicated Mineral Resources attributable to Paladin in the Mount Isa Region now stand at 33.9Mlb  $U_3O_8$  with attributable Inferred Mineral Resources standing at 41.9Mlb  $U_3O_8$ . This translates to an overall increase of 30% in the Mount Isa Uranium Project JORC compliant resource base. As advised the Valhalla resource upgrade will be completed at the end of 2008 after the current drilling has been carried out and is expected to further increase the growing resource base at Mount Isa. Details of individual Mineral Resources, conforming to the JORC code, for the deposits quoted are as follows:

Table 5: Individual JORC compliant Mineral Resource figures quoted on 100% basis

| Deposit                                       | Cut-off ppm $U_3O_8$ | Indicated Resources |            |                            | Inferred Resources |            |                            | Paladin Share |
|-----------------------------------------------|----------------------|---------------------|------------|----------------------------|--------------------|------------|----------------------------|---------------|
|                                               |                      | Mt                  | Grade ppm  | t $U_3O_8$                 | Mt                 | Grade ppm  | t $U_3O_8$                 |               |
| Valhalla                                      | 230                  | 21.3                | 800        | 16,900                     | 12.0               | 750        | 9,000                      | 91.0%         |
| Skäl                                          | 250                  |                     |            |                            | 7.6                | 508        | 3,800                      | 91.0%         |
| Bikini                                        | 250                  |                     |            |                            | 10.1               | 517        | 5,200                      | 82.0%         |
| Andersons                                     | 230                  |                     |            |                            | 2.0                | 1,010      | 2,100                      | 82.0%         |
| Watta                                         | 230                  |                     |            |                            | 4.2                | 410        | 1,700                      | 82.0%         |
| <b>Total</b>                                  |                      | <b>21.3</b>         | <b>800</b> | <b>16,900</b>              | <b>35.9</b>        | <b>607</b> | <b>21,800</b>              |               |
| <b>Total Resource Attributable to Paladin</b> |                      | <b>19.38</b>        | <b>800</b> | <b>15,379</b><br>(33.9Mlb) | <b>31.20</b>       | <b>607</b> | <b>19,028</b><br>(41.9Mlb) |               |



Pictures left to right: (1), (2) and (3) Queensland

### Georgina Basin Project

SRA holds 16 granted EPM's and one further application, together covering 12,000km<sup>2</sup> of the Georgina Basin to the west of the Mount Isa Inlier in northwest Queensland. This Project was subject to a joint venture with Newland Resources Ltd (Newland) under which Newland could earn a 50% joint venture interest subject to certain terms and conditions.

In April 2008, SRA agreed to sell the Georgina Basin tenements to Newland for a combination of cash and shares in Newland. The joint venture agreement has been terminated and assignment of the tenements to Newland will be completed in the near future.

The Georgina Basin Project is at a very early stage of exploration and SRA decided that it should focus its efforts on its very prospective Isa North Project.

### OTHER PROJECTS (NON-URANIUM)

Mount Isa South, May Downs, Constance Range and Mount Kelly comprise the non-uranium projects of SRA. A brief description of these projects is included below.

In December 2007, SRA entered into an agreement with unlisted UK company MM Mining Plc for the farm-out of 80% of SRA's interest in these tenements. SRA will retain a 20% interest in these projects, will retain the uranium rights and will be free carried through to any decision to mine. To earn its interest, MM Mining Plc (which will be the Manager) must spend A\$10 million within the next 2 years.

In return, SRA will receive A\$5 million, 20 million ordinary shares (approximately 31% of the shares in MM Mining Plc), 20 million options exercisable at GBP 0.15 with an expiration date of December 2012 and a further 20 million ordinary shares if there is a decision to mine.

Over recent years, the focus of Summit has shifted to its uranium projects to the point that these projects have assumed increased significance. This Joint Venture will position Summit to concentrate its management time, in partnership with Paladin, on its exciting uranium projects.

### Mount Isa South

The Mount Isa South Project comprises over 1,970km<sup>2</sup> of prospective Proterozoic terrane along the Mount Isa Paroo Fault (MIPF) from 40km to 160km south of Mount Isa.

To date five of the EPM's have been granted and the remaining four EPM applications are expected to be granted in the coming months. Glengarry Resources Ltd has a 10% carried interest to mine development in EPM14233.

### May Downs

The May Downs Project is comprised of three granted EPM's covering 1,217km<sup>2</sup> 35km west of Mount Isa.

The potential for gold mineralisation in shale sequences along the 12km Golden Fault structure was drill tested in 2005. Several holes intersected narrow zones of anomalous gold generally associated with elevated copper values.

### Constance Range

In the late 1950's and early 1960's BHP identified in excess of 200Mt of iron ore (non JORC) in a number of deposits, hosted by the Train Range Ironstone member of the Middle Proterozoic Mullera Formation, in the area. BHP also identified 38Mt of phosphate rock at Babbling Brook Hill and a further 11Mt at Riversleigh.

The Constance Range Project covers 900km<sup>2</sup> in six EPMs, with a further EPM application of 100km<sup>2</sup> expected to be granted in the coming months. The tenements are centered 30km southwest to 45km northwest of Zinifex's Century zinc mine in far northwest Queensland.

### Mount Kelly

EPM14694 of 13km<sup>2</sup> near CopperCo's Mount Kelly copper gold discovery, 95km northwest of Mount Isa, was granted in October 2005. The target here is copper gold mineralisation in middle Proterozoic shales along northwest trending fault structures.

Satellite imagery and geophysical survey data has been acquired for the area. A review of all previous exploration is underway and field mapping and geochemical sampling to delineate drill targets are planned.



## NORTHERN TERRITORY

### Bigrlyi Uranium Joint Venture

Energy Metals Limited 53.7% and Manager  
Northern Territory Uranium Pty Ltd 42.1%  
Southern Cross Exploration NL 4.2%

The Bigrlyi Uranium Joint Venture covers ten granted Exploration Retention Licences located approximately 390km northwest of Alice Springs in the Northern Territory. Participants in the Joint Venture are Energy Metals Limited (53.7% and Manager), Northern Territory Uranium Pty Ltd (a wholly owned subsidiary of Paladin) (42.1%) and Southern Cross Exploration NL (4.2%).

Bigrlyi is located on the northern margin of the Neoproterozoic to Paleozoic Ngalia Basin in central Australia. Uranium mineralisation at Bigrlyi is confined to a specific narrow horizon within the lower Mount Eclipse Sandstone for which a local stratigraphic succession has been defined. The principal 16 uranium occurrences at Bigrlyi were discovered in 1973 in the course of regional exploration managed by Central Pacific Minerals NL on behalf of various joint venture partners including Magellan Petroleum Australia Ltd, Agip Nucleare Pty Ltd, Urangesellschaft GmbH & Co. and the Atomic Energy Commission.

In March 2008 Energy Metals Limited announced a new resource for the Bigrlyi deposit based on the drilling completed in the 2007 program. The result was a substantial increase in contained  $U_3O_8$  as well as a significant lift in vanadium. The increase was primarily due to extension of the resource along strike particularly in Anomaly 15 and the area between Anomaly 4 and Anomaly 7. The inclusion of a number of additional vanadium results has now allowed for the proper estimation of a vanadium resource.

The current Mineral Resource for Bigrlyi stands at 4,053t (8.9Mlb)  $U_3O_8$  in the Indicated category and 6,537t (14.4Mlb)  $U_3O_8$  in the Inferred category.

### Indicated Mineral Resources

| Cut-Off<br>(ppm $U_3O_8$ ) | Tonnes    | $U_3O_8$<br>(ppm) | $V_2O_5$<br>(ppm) | $U_3O_8$<br>(t) | $V_2O_5$<br>(t) |
|----------------------------|-----------|-------------------|-------------------|-----------------|-----------------|
| 500                        | 2,330,600 | 1,739             | 2,429             | 4,053           | 5,660           |
| 1,000                      | 1,508,000 | 2,288             | 2,877             | 3,450           | 4,339           |

### Inferred Mineral Resources

| Cut-Off<br>(ppm $U_3O_8$ ) | Tonnes    | $U_3O_8$<br>(ppm) | $V_2O_5$<br>(ppm) | $U_3O_8$<br>(t) | $V_2O_5$<br>(t) |
|----------------------------|-----------|-------------------|-------------------|-----------------|-----------------|
| 500                        | 5,230,900 | 1,250             | 2,705             | 6,537           | 14,149          |
| 1,000                      | 2,527,100 | 1,819             | 3,661             | 4,596           | 9,251           |

In mid July Energy Metals Limited announced the results of the scoping study undertaken by Paladin on its behalf. The study was designed to aid in drill planning and attempted to define a minimum economic size for the deposit. The results indicate that the project is viable, with potential annual production rates of approximately 1.5Mlb  $U_3O_8$ , over a 10 year period from a number of open pits. An underground option was also assessed, and has been reported by Energy Metals Limited, but it is expected that this is not likely to be a priority target in the near future.

Results from the metallurgical test work being undertaken by ANSTO appear to be very promising with good recoveries from acid leach of 94-98%, with reasonable acid consumption values. Coarse grinding studies have indicated the possibility of lowering the acid consumption without appreciably reducing uranium recoveries. Tests using a range of variables suggested optimum acid leach conditions yielded extraction rates of 94-95% uranium and 45% vanadium over 8 to 12 hours. Recoveries from alkaline leach test work were also good at 93%.

The Joint Venture has approved an ongoing drilling program of approximately 15,000m RC and 2,000m diamond and it is probable that a small grade control pattern will be drilled at either Anomaly 4 or Anomaly 15 to validate the modeling of the lateral extent of the mineralisation. Funds have also been set aside for preliminary environmental studies and local Aboriginal engagement.



Pictures left to right: (1) and (2) Queensland

### Angela Joint Venture

Cameco Australia Pty Ltd 50% and Manager  
Paladin Energy Minerals NL 50%

The Angela Uranium Project is located 15km south of Alice Springs Airport in the Northern Territory. Access is by dirt road from the airport.

In February 2008 the Northern Territory Government advised the 50:50 Joint Venture between Paladin Energy Minerals NL and Cameco Australia Pty Ltd (operator) that it had been awarded the Angela-Pamela Project which gave the Joint Venture the right to lodge an exploration licence application over the Angela and Pamela uranium deposits, located near Alice Springs in the Northern Territory. The Joint Venture's bid was selected from a highly competitive field. The licence application is now progressing through the administrative procedures set out in the Northern Territory's Mining Act.

The Angela Uranium Project Joint Venture parties have committed to a comprehensive confirmatory and exploration work programme as well as a pre-feasibility study which if successful, will then progress to a Bankable Feasibility Study and an Environmental Impact Assessment.

Extensive evaluation work was undertaken on the Angela and Pamela uranium deposits by Uranerz Australia Pty Ltd between 1972 and 1983. Historic uranium mineralisation defined at the time comprised approximately 12,000t to 13,000t of  $U_3O_8$  in the general range of 0.10% to 0.13%  $U_3O_8$  and remains open at depth and laterally. Paladin owns all the original drill hole data for the deposit, including geology, geochemistry, downhole gamma surveys and feasibility studies. This information, together with Paladin's extensive in-house knowledge of the deposits, will enable the Joint Venture to move rapidly into the pre-feasibility assessment.

Cameco, the Project Manager, has opened an office and is starting to set up facilities to support the project in Alice Springs. Cameco has been successful in attracting a senior project manager with experience in bringing a uranium project to development.

Angela is a very exciting project for Paladin and offers the Company the opportunity to develop a mine in the Northern Territory, which has a very positive policy on uranium development. It will fully complement Paladin's Mount Isa project, which is currently scheduled for development post 2012.

### WESTERN AUSTRALIA

#### Manyingee Uranium Project

Paladin Energy Minerals NL 100%

The Manyingee Uranium Project is located in the northwest of Western Australia, 1,100km north of Perth and 85km inland from the coastal township of Onslow. The property is comprised of three mining leases covering 1,307 hectares.

Paladin purchased the Manyingee Project in 1998 from Afrimco Mining and Exploration Pty Ltd (AFMEX), a subsidiary company of Cogema of France. Paladin's 100% interest in Manyingee is held through its wholly owned subsidiary, Paladin Energy Minerals NL.

AFMEX (previously named Total Mining Australia Pty Ltd) discovered uranium mineralisation at Manyingee in 1973 during regional exploration. Between 1973 and 1984 some 400 holes were drilled and this established the extent and continuity of the sediment hosted uranium mineralisation in permeable sandstone in palaeochannels. Field trials by AFMEX demonstrated that the Manyingee sandstone hosted uranium deposit is amenable to extraction by in-situ recovery (ISR).

The Manyingee Project contains JORC (1999) Code compliant Mineral Resources as shown in Table 6:

Table 6: Manyingee Resource Statement

| Jorc Category (1999) | Cut-Off % $U_3O_8$ | Resource Mt | Grade % $U_3O_8$ | $U_3O_8$ Kt |
|----------------------|--------------------|-------------|------------------|-------------|
| Indicated            | 0.03               | 7.9         | 0.10             | 8.1         |
| Inferred             | 0.03               | 5.5         | 0.05             | 2.8         |
| Total                |                    | 13.4        | 0.08             | 10.9        |

The current State Government of Western Australia maintains a policy that it will not grant approval for mining or processing uranium in the State. As a result of this policy, Paladin has deferred feasibility studies and other work on the Manyingee Project for some time. It is Paladin's belief that changing views about global energy supplies will lead to a change of policy in Western Australia at some time in the future that will allow development of Manyingee to proceed.



### Oobagooma Uranium Project

Paladin Energy Minerals NL 100%

The Oobagooma Project, beneficially held 100% by Paladin, is located in the West Kimberley region of Western Australia, 1,900km north-north-east of Perth and 75km north east of the regional centre of Derby. The project is comprised of two long-standing applications for exploration licences covering 452km<sup>2</sup>.

In 1998 Paladin acquired a call option in relation to the purchase of the Oobagooma Project and, in turn, granted a put option to the original holder of the Project. Exercise of both options is subject to the exploration licences being granted by the State. The exploration licences are situated on freehold land owned by the Commonwealth Government and used by the military for training purposes. Consent of the Commonwealth Government and the Department of Defence will be required before the mining tenements can be granted.

The Oobagooma project area was explored by AFMEX in the period from 1983 to 1986 during which time extensive zones of uranium mineralisation were discovered. An estimate of the uranium resources using geostatistical methods was carried out by AFMEX. This work was done before the JORC Code had been formulated and was thus not carried out in accordance with the Code. The AFMEX historical estimate is shown in Table 7:

Table 7: Oobagooma Historical Resource Statement

| Non-Jorc              | Cut-Off<br>% U <sub>3</sub> O <sub>8</sub> | Resource<br>Mt | Grade<br>% U <sub>3</sub> O <sub>8</sub> | U <sub>3</sub> O <sub>8</sub><br>kt |
|-----------------------|--------------------------------------------|----------------|------------------------------------------|-------------------------------------|
| Historic<br>Resources | 0.03                                       | 8.3            | 0.12                                     | 10.0                                |

As with Manyingee, current State Government policy towards uranium mining in Western Australia precludes further investigation of the Oobagooma uranium deposit at this stage. The main exploration effort, once the tenements have been granted, will be to confirm continuity of the uranium mineralisation by infill drilling concentrating on mineralised redox fronts as re-interpreted and preparation of a JORC compliant resource estimate. The mineralisation in this sandstone hosted uranium deposit is open and potential exists to increase the currently known resource base. The style of mineralisation is believed to be amenable to recovery of uranium by ISR methods.

### SOUTH AUSTRALIA

#### Quasar Uranium Joint Venture

Paladin Energy Ltd 15-20%

Quasar Resources Pty Ltd 80% and Manager

The Joint Venture with Quasar Resources Pty Ltd, established in 2001, encompasses two exploration licences covering 1,051km<sup>2</sup> in the northeast of South Australia. Paladin holds a 15% free carried interest in Exploration Licence 3903 at Mount Yerila and a 20% free carried interest in Exploration Licence 4134 at Petermorra. The Joint Venture is managed by Quasar Resources Pty Ltd, a wholly owned subsidiary of Heathgate Resources Pty Ltd, operator of the Beverley ISR uranium mine which is situated immediately south of the Joint Venture tenements. Heathgate Resources Pty Ltd is an Australian subsidiary of General Atomics of the USA.

The two exploration licences are located in the northern part of the Curnamona Province, a 90,000km<sup>2</sup> block of shallow to outcropping basement rocks that extends from Olary, in the northeast of South Australia, 450km north east of Adelaide, to east of Broken Hill across the New South Wales border. The exploration licences are considered prospective for palaeochannel uranium mineralisation similar to that found and successfully developed at Beverley. Quasar is actively exploring the Joint Venture tenements and has conducted a number of drilling campaigns on the ground.



Kayelekera

## URANIUM DATABASE

### Paladin 100%

Paladin owns a substantial uranium database, compiled over 30 years of investigations by the international uranium mining house Uranerzbergbau in Germany, incorporating all aspects of the uranium mining and exploration industry worldwide and including detailed exploration data for Africa and Australia.

Uniquely among Australian exploration companies, the primary focus of Paladin's activities for the past years has been uranium. In that time the Company has maintained and expanded the library of databases and it now holds a considerable amount of technical, geological, metallurgical, geophysical and geochemical data including country specific information such as mining laws or investment conditions comprising an estimated 60,000 individual books, documents, reports, reprints, and maps kept as hardcopies, microfiche and a rapidly growing library of electronic files.

The geology resource database is managed in an integrated relational database system readily available for processing of exploration and mining data.

It is this database that held all of Angela/Pamela technical information that Paladin believes gave the Cameco Paladin Joint Venture the competitive edge to win the tender to acquire this important project. This underpins the significance of this asset for project generation.

The Company continues to evaluate opportunities for acquiring additional uranium projects assisted by the database.

## INVESTMENTS

### Deep Yellow Ltd (DYL)

Paladin Energy Ltd 15.3%

DYL is a dedicated uranium exploration company listed on the Australian Securities Exchange and the Namibian Stock Exchange with exploration holdings in Namibia and Australia.

Through its wholly owned Namibian subsidiary, Reptile Uranium Namibia (Pty) Ltd, DYL is actively exploring for uranium on its four 100% owned Exclusive Prospecting Licences covering 2,872km<sup>2</sup> in the Namib Naukluft Desert Park inland from Walvis Bay and south and west of Paladin's Langer Heinrich Uranium Mine. Six RC and one diamond rig is being used to drill between 15,000 and 20,000 metre per month on three different projects within these tenements. Additional JORC Code resource announcements are due from September.

In Australia DYL is focused on uranium exploration in the Mount Isa district in northwest Queensland and the Tanami Arunta Province in the Northern Territory. Both RC and diamond drilling is underway on a number of these projects.

Paladin's equity in DYL increased to 14.34% on 8 August 2007 via an entitlement issue and subscription to the subsequent shortfall. The additional investment totalled A\$20.7M (US\$17.8M).

Subsequent to year end, Paladin's equity in DYL increased further to 15.3% following the exercise of 12,500,000 unlisted options at a cost of A\$1,012,500.

## Financial Review

### Income Statements

|                                                                                                      | Year Ended 30 June |        |
|------------------------------------------------------------------------------------------------------|--------------------|--------|
|                                                                                                      | 2008               | 2007   |
|                                                                                                      | US\$M              | US\$M  |
| Revenue from continuing operations                                                                   | 101.9              | 11.2   |
| 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                                                                                   | 1.2                | 0.4    |
| Loss after tax from continuing operations attributable to the ordinary equity holders of the Company | (36.0)             | (37.6) |
|                                                                                                      | 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, Bigryli, Langer Heinrich and Kayelekera Uranium Projects. Of this total, US\$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 Group (“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 LHUP. 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.

*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 LHUP 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<br>Total<br>US\$M | 2008<br>Jun Qtr<br>US\$M | 2008<br>Mar Qtr<br>US\$M | 2007<br>Dec Qtr<br>US\$M | 2007<br>Sep Qtr<br>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<br>Total<br>US\$M | 2007<br>Jun Qtr<br>US\$M | 2007<br>Mar Qtr<br>US\$M | 2006<br>Dec Qtr<br>US\$M | 2006<br>Sep Qtr<br>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 LHUP. 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.

### 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<br>US\$M | 30 June 2007<br>US\$M |
|-------------------------------|-----------------------|-----------------------|
| Total current assets          | 447.9                 | 233.4                 |
| Total non current assets      | 2,115.2               | 1,825.0               |
| Total assets                  | 2,563.1               | 2,058.4               |
| Total current liabilities     | 54.1                  | 29.0                  |
| Total non current liabilities | 1,079.7               | 721.1                 |
| Total liabilities             | 1,133.8               | 750.1                 |
| Net Assets                    | 1,429.3               | 1,308.3               |

*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 LHUP 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.

*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 LHUP. 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.

## Statements of Changes In Equity

|                                                           | Year Ended 30 June |                |
|-----------------------------------------------------------|--------------------|----------------|
|                                                           | 2008               | 2007           |
|                                                           | US\$M              | US\$M          |
| Total equity at the beginning of the financial year       | 1,308.3            | 91.0           |
| 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               | (1.2)              | 184.7          |
| <b>Total Equity at the End of the Financial Year</b>      | <b>1,429.3</b>     | <b>1,308.3</b> |

*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.

## Cash Flow Statements

|                                              | Year Ended 30 June |              |
|----------------------------------------------|--------------------|--------------|
|                                              | 2008               | 2007         |
|                                              | US\$M              | 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    | 324.0              | 298.7        |
| 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             | 0.1                | 1.1          |
| <b>Cash at the End of the Financial Year</b> | <b>337.6</b>       | <b>182.8</b> |

*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 LHUP, 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 LHUP.

*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 LHUP, 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 Langer Heinrich. 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.

### 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:

| Payments due by period      | Total US\$M | Less than 1 yr US\$M | 1 to 5yrs US\$M | Unknown US\$M |
|-----------------------------|-------------|----------------------|-----------------|---------------|
| 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           |
| <b>Total commitments</b>    | <b>70.7</b> | <b>64.0</b>          | <b>3.3</b>      | <b>3.4</b>    |

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.

### Outstanding Share Information

As at 11 September 2008 Paladin had 613,997,369 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:

| As at 11 September 2008                                       | Number             |
|---------------------------------------------------------------|--------------------|
| Outstanding shares                                            | 613,997,369        |
| Issuable under Executive Share Option Plan                    | 17,946,455         |
| 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         |
| <b>Total</b>                                                  | <b>713,791,875</b> |



Pictures left to right: (1), (2) and (3) Langer Heinrich

### 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.

### 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 Group, the results of those operations or the state of affairs of the Group 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 2008 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. On 10 September 2008 the Company announced the allotment of 100,000 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 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 investments totalled A\$1.0 million (US\$1.0 million). After this acquisition the Group now holds 15.30% of Deep Yellow Ltd.

### Resources Upgrade for Langer Heinrich Uranium Project

On the 28 August 2008, the Company announced an updated Mineral Resource estimate for the LHUP. Following the drilling of 717 RC holes for a total of 17,751m in all Details at Langer Heinrich, a new Mineral Resource of 56.4Mt at a grade of 0.06%  $U_3O_8$  for 32,858t (72.4Mlb)  $U_3O_8$  in the Measures and Indicated categories and 70.7Mt at a grade of 0.06%  $U_3O_8$  for 41,557t (91.6Mlb)  $U_3O_8$  in the Inferred category was estimated. The total resource for Langer Heinrich now stands at some 74,415t (164Mlb)  $U_3O_8$ . The Directors believe a considerable amount of these Inferred Resources will be able to be converted to Measured and Indicated Resource categories following additional drilling in the future. Ore Reserve studies are currently underway and are expected to be completed in the near future.

#### Increased Holding in Summit Resources Ltd

On 28 August 2008, the Company acquired an additional 3,378,733 shares in Summit Resources Ltd pursuant to a renounceable rights issue and 289,739 shares via subscription for the shortfall of the rights issue. The additional investment totalled A\$9.1 million (US\$8.6 million). After these acquisitions the Company now holds 81.99% of Summit Resources Ltd.



forging stronger relationships

Pictures left to right: (1) and (2) Working with local farmers, Malawi (3) Children's Christmas Party, Kayelekera 2007

## sustainable development

Paladin looks beyond its minimum statutory obligation to comply with relevant legislation and voluntarily seeks to take steps to improve the quality of life of its employees and their families, as well as for the local community and host society at large.



## Health And Safety

Paladin is committed to working with its employees and contractors to create a safe working environment across its operations. In 2007, the Langer Heinrich construction program was concluded with only one Lost Time Injury (LTI) recorded over a period of 1.35 million worked hours. To-date, Paladin and its Kayelekera contractors have completed more than 2 million worked hours without a single LTI. This is a remarkable achievement considering Kayelekera's status as the first major mining development in Malawi and the fact that the local workforce has only the most basic construction experience.

Paladin's commitment to safety has been noted by the Government of Malawi, traditional chiefs and local inhabitants alike. Malawi's Director of Safety in the Ministry of Energy and Mines, Mr Hlale Nyangulu, addressing a function held at Kayelekera in July to celebrate 1.5 million LTI-free hours, said: "This is a very rare achievement and, as Government, we are happy that safety requirements and regulations are adhered to the maximum at this new mine."

In Namibia, Langer Heinrich employees and contractors each recorded four LTI's, for the year ending June, 2008. Included in the contractor figures is an off-site light vehicle incident not normally included in LTI records, however considered appropriate and in-line with a management initiative to improve transportation safety in and around the community. The balance of the recorded on-site injuries were of a relatively minor nature including knee and ankle strains requiring short periods of rest. The reporting of safety incidents is robust at the Langer Heinrich operation allowing management to properly assess incidents and take appropriate actions to reduce both frequency and severity of safety incidents into the future.

## Environment

### Policy and Standards

Paladin is committed to ensure that effective environmental management is planned and undertaken for all aspects of its operations. The approach to environmental management is guided by our Environmental Policy that promotes a standard of excellence for environmental performance across its operations. The key points of our policy include:

- compliance with applicable environmental legislation;
- developing standards and systems to identify, assess and manage environmental risk;
- continuous improvement in environmental performance;
- communicating environmental responsibility to employees and contractor;
- effective consultation with stakeholders; and
- inspections and audits of environmental performance.

Paladin is establishing internal Environmental Standards to be adhered to by all of its operational subsidiaries. Operational compliance with the Standards will form part of the Corporate Audit Programme.

### Environmental Management System

Each operating site is required to develop and implement an Environmental Management System (EMS) that is consistent with the requirements of ISO14001:2004. Langer Heinrich has developed an EMS based on the ISO standard and is implementing the system across the site operations. Langer Heinrich has also commenced the verification and certification process for the EMS.

The Kayelekera environmental team is developing the various components of the EMS for operations. Once operational teams are on site and operations commence the EMS will be implemented across all operational departments.



Pictures left to right: (1), (2) and (3) Environmental Management, Kayelekera (4) Local children, Malawi

As part of the EMS, Environmental Management Plans (EMP) are prepared and submitted for review by Government and other stakeholders. The review processes for both Langer Heinrich and Kayelekera include technical reviews of the Management Plans by the appropriate international financial lending institutions.

A Construction EMP was prepared for Kayelekera and implemented to manage the potential environmental impacts from construction. To prepare for operations, an Operational EMP has been drafted containing details on the mine and the management programmes to be implemented to minimise potential impacts.

#### Inspection and Audit Programme

Inspection and audit programmes have been established to ensure that the environmental performance of Paladin's operations is reviewed, audited and reported to the Board. These programmes will ensure that there is not only compliance with regulatory and Paladin requirements but also with the Equator Principles and other appropriate industry standards, as well as those standards specific to the uranium industry.

#### Water

Water resource is a major issue that requires management at most mining operations. This is particularly relevant to Paladin's operations as Langer Heinrich is located in a desert environment where water supply is limited, and Kayelekera is located in a high rainfall area where the management of surface water runoff is paramount.

Paladin has developed a Standard for Water Use and Water Quality to ensure that its operations apply efficient, safe and sustainable use of water and protect the water resources and ecosystems around its sites. Both sites have prepared detailed water balances, flow models and proposed water management strategies to ensure that Paladin's objective is met.

#### Tailings

Tailings management continues to be a high priority at Paladin's sites beginning with defining acceptable properties of the tailings and ensuring appropriate design of tailings storage facilities (TSF).

Specialist tailings facility engineers have been engaged by both sites to design, define operational practice and propose management of the TSFs to ensure that effective management of tailings is undertaken and the potential impacts of the tailings and TSF are minimised. Independent and internationally recognised uranium tailings experts have conducted reviews of the design, construction and operations of the TSF and continue to provide an ongoing external review role. This process ensures that tailings storage on site meets both industry standards and those specific for uranium tailings.

#### Closure

Mine closure planning is a key component of Paladin's commitment to the environment. A Closure Standard has been developed for all developing and operational sites to comply with. The intent of this is to ensure that Paladin's sites are left in a safe and stable manner with environmental impacts minimised so that tenements can be relinquished without future liability to the Company, Government or the community.

#### Social Mandate

With construction of the Kayelekera Project in Malawi nearing completion and the Stage II expansion of Langer Heinrich underway in Namibia, Paladin's presence and stature in southern Africa is growing significantly.

Paladin's social mandate is a reflection of its corporate reputation and the values others see Paladin and its representatives exhibit in the way they do business. Maintaining corporate standing requires not only continuing technical and commercial excellence, but also demonstrated sensitivity towards host communities.



## Our People

Paladin's workforce has increased significantly in the past 12 months and continues to grow as permanent staff for Kayelekera are recruited. The Paladin Group's directly-employed workforce now exceeds 275 people. The Langer Heinrich workforce includes 198 employees, plus a further 200 personnel working for mining and security contractors. Fewer than 5% are non-Namibian. The Kayelekera construction workforce currently numbers around 1,250 people, of whom some 75% are Malawian nationals, providing a much-needed skills boost to that country. The permanent operating workforce at Kayelekera is expected to number 350 people, most of whom will be Malawian.

Paladin's Head Office team of senior management and specialist support staff numbers 47 people, while a further 21 geologists and support staff are employed in the Group's Mount Isa exploration office. Paladin Nuclear Limited currently employs three people, located in Perth and Denver, Colorado.

A scheme to provide study assistance was introduced at Langer Heinrich during 2008 and several employees have already commenced formal studies, including four employees enrolled for management development under Langer Heinrich's succession planning programme.

Paladin rewards employee performance and aligns the interests of its employees with those of its shareholders by offering participation in a share incentive scheme. In February 2008, the Company extended this scheme to include permanent employees of Langer Heinrich Uranium (Pty) Ltd in what is believed to be a first initiative for the Namibian mining industry. In what is a difficult environment for recruitment of staff due to the global resources boom and shortage of uranium experience, Paladin has been pleased to be considered an employee of choice and has been fortunate in attracting a high calibre of employees.

## HIV & AIDS

The Kayelekera Environmental Impact Assessment (EIA) identified HIV/AIDS as a significant on-going issue which Paladin would need to address in developing and operating the Kayelekera Project. The HIV/AIDS pandemic has hit Malawi particularly hard – the United Nations' UNAIDS 2008 Report estimates that, of a population of nearly 14 million, almost one million people in Malawi were living with HIV at the end of 2007.

HIV/AIDS is also a serious issue in Namibia. At Langer Heinrich, five employees volunteered during the year to train as peer educators for the Company's HIV/AIDS awareness programme. Peer educators received initial and advanced training on HIV/AIDS awareness and prevention in a programme co-ordinated by the Namibian Chamber of Mines, of which Langer Heinrich is an active member.

Paladin has also joined BHP-Billiton, Rio Tinto and nine other mining companies in supporting the Virax Southern Africa HIV Therapeutic Vaccine Project. Virax is an Australian bio-pharmaceutical company engaged in the development of treatments for cancer and chronic infectious diseases, such as HIV/AIDS. Virax has developed the VIR201 HIV vaccine, which is designed to treat HIV-infected people by lowering their HIV virus levels.

To-date, VIR201 is understood to be one of the only such therapeutic vaccines from around the world to have been successfully tested in two fully-controlled human clinical trials (both conducted in Australia). These trials demonstrated the vaccine to be safe, with no side-effects and provided strongly encouraging evidence of suppression of HIV virus levels in HIV-infected patients.

Paladin has contributed \$US150,000 towards the initial cost of further trials, which the Company hopes will lead to the release of a cheaper, more effective vaccine to improve the life expectancy and well-being of the HIV-positive population, in both Namibia and Malawi and elsewhere.



Pictures left to right: (1) and (2) Working with the community, Malawi

### Working with Communities

The development of the Kayelekera Project will make a very substantial fiscal contribution to Malawi and will open up opportunities for employment and improvements to social infrastructure in the economically-depressed Northern Region of the country. Kayelekera is currently the single most important development project in Malawi, which is among the poorest countries in the world.

Our Social Responsibility vision is to work to address four key areas of need within the Kayelekera region. These are:

- Health Issues (because HIV/AIDS, tuberculosis and malaria are the major killers in Malawi, as elsewhere in southern Africa);
- Food Production (because lack of irrigation and subsistence farming leads to crop failure and famine)
- Education (the foundation stone of a productive and fulfilling life) and
- Business Development (to create employment opportunities and grow local businesses which can supply Paladin and others with goods and services).

Six Civil Society Organisations (CSOs) had commenced an action against the Company and the Government of Malawi in May 2007 in response to concerns over the Project approval process.

The settlement between the six CSOs and Paladin in November 2007 resolved outstanding social issues of concern and was concluded on a positive and amicable basis, enabling construction at Kayelekera to proceed without interruption or modification.

Under the February 2007 Development Agreement with the Government of Malawi, Paladin undertook to spend \$US10 million on community development and infrastructure projects in the Kayelekera region. It was subsequently agreed that US\$8.2 million of the US\$10 million would be applied to the urgently-needed upgrading of the community water supply at Karonga, the nearest major town to the Kayelekera Project. This Project is expected to be completed by mid-2009. Paladin will spend a further US\$1.8 million to fund health and education infrastructure projects agreed in consultation with the local community.

Paladin has undertaken to be accountable by providing the Government of Malawi with regular reports on work done and monies expended under its Community Development Program.

Other initiatives include:

- establishing the Uranium Liaison Committee (ULICO) as the medium for on-going community consultation;
- assisting in developing improved agricultural production practices with an expatriate agricultural consultant working with local farmers to upgrade skills;
- providing access to clean and safe water for a significant portion of the community and improved teacher-pupil ratio at the primary school, which Paladin supports financially;
- maintaining a doctor-staffed medical clinic on-site at Kayelekera, which caters for the medical needs of its employees, including employees living in Kayelekera village. As a consequence, some 22 per cent of the Kayelekera village population now has access to reliable health care. Paladin has undertaken to build a new community health clinic in Kayelekera; and
- assisting in developing improved agricultural production practices and supporting local communities through construction of wells and sinking boreholes.

Langer Heinrich supports certain initiatives that have long-term benefits to Namibia, specifically aimed towards education and skills development. This involves funding at a local school level together with providing financial assistance for a youth development programme aimed at identifying high performing students who would otherwise have limited resources to enable them to further develop their skills. This programme requires very high levels of commitment from the students and is proving highly successful. In addition Langer Heinrich is working closely with a local artisan training facility whereby students are provided with practical training at the mine site, and senior artisans are made available to the college as lecturers whilst at the same time the usual lecturers spend time working on the mine site to expose them to the latest technology and practices.



The Paladin Board (clockwise from top left): Ian Noble, Gillian Swaby, Sean Llewelyn, Donald Shumka, John Borshoff and Rick Crabb

# corporate governance statement

## Corporate Governance Framework

The Board of Directors of Paladin Energy Ltd is responsible for the corporate governance of the Group.

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

This Corporate Governance Statement outlines the key principles and practices of the Company which, taken as a whole, is the system of governance.

Shareholders are reminded that Paladin operates with a dual listing in Australia on the Australian Securities Exchange (ASX) and in Canada on the Toronto Stock Exchange (TSX). In formulating the governance framework, the regulatory requirements in both Australia and Canada have been taken into account.

The Company has complied with each of the Eight Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council. Further the Company also complies with the Ontario Securities Commission's corporate governance requirements as set out in National Instrument 58-101.

The Company reviews and amends its corporate governance policies as appropriate to reflect the growth of the Company, current legislation and good practice. The website ([www.paladinenergy.com.au](http://www.paladinenergy.com.au)) includes copies or summaries of key corporate governance policy documents.

## Relationship With Shareholders

The Company places a high priority on communications with and accountability to shareholders. The Board recognises that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective investors should be able to make an informed decision when considering the purchase of shares in Paladin.

To safeguard the effective dissemination of information, the Board has implemented a Disclosure Control Policy, detailed later in this Statement, and adopted a Shareholder Communications Policy. These reinforce the Company's commitment to its continuous disclosure obligations imposed by law.

Information will be communicated to shareholders by:

- ensuring that published financial and other statutory reports are prepared in accordance with applicable laws and industry best practice;
- ensuring the disclosure of full and timely information about the Company's activities in accordance with the general and continuous disclosure principles in the ASX Listing Rules, the Corporations Act in Australia and all relevant legislation in Canada;
- providing detailed reports from the Chairman and the Managing Director at the Annual General Meeting;
- placing all material information released to the market (including notices of meeting and explanatory materials) on the Company's website as soon as practical following release;
- placing the Company's market announcements and financial data for the preceding three years on its website. Earlier announcements are available on request; and
- providing the Annual Report in a "user friendly" electronic format on its website.

In addition, the website includes a facility to allow interested parties to subscribe to receive, electronically, public releases and other relevant material concerning the Company.

Shareholders are encouraged to attend Annual General Meetings and ask questions of Directors and senior management and also the Company's external auditors, who are required to be in attendance. In the event that shareholders are unable to attend meetings, they are encouraged to lodge proxies signifying their approval or otherwise of the business to be considered.

## Board of Directors

### Role of the Board

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

The role of the Board is to oversee and guide the management of the Company with the aim of protecting and enhancing the interests of its shareholders, taking into account the interests of other stakeholders including employees, customers, suppliers and the wider community.

The Board operates under a Charter and has a written Code of Conduct which establishes guidelines for its conduct. The purpose of the Code is to ensure that Directors act honestly, responsibly, legally and ethically and in the best interests of the Company.

The Board is responsible for setting the strategic direction and establishing goals for management and the monitoring of the achievements against these goals.

### Composition of the Board

The Board comprises four Non-executive Directors, including the Chairman and one Executive Director, being the Managing Director. The names of the Directors, both in office at the date of this report and those who held the position during the past year, are set out in the Directors' Report. This information includes their status as Non-executive, executive or independent, their qualifications and experience and length of service.

The structure of the Board has evolved over time to reflect the changing needs of the Company to ensure an appropriate mix of skills and experience are available to oversee the growth of Paladin to its full potential. This was particularly relevant given the progress towards becoming a uranium supplier and, in the last quarter of the 2005 financial year, Board membership underwent a major restructure.

Skills sets represented at Board level include managerial, technical, financial, corporate, legal and commercial. Particularly, members have a broad range of qualifications, experience and expertise in the uranium business.

### Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. All of the Non-executive Directors are considered by the Board to be independent. In considering whether a Director is independent, the Board has regard to the independence criteria set out in the ASX Corporate Governance Council's Corporate Governance and Principles Recommendations and the Corporate Governance Guidelines developed by the Ontario Securities Commission pursuant to National Policy 58-201 and other facts, information and circumstances that the Board considers relevant.

The Board assesses the independence of new Directors prior to appointment and reviews the independence of all Directors as appropriate.

### Meetings of the Board

The Board meets formally at least four times a year (each over a 2 day period) and on other occasions, as required. On the day preceding the Board meeting, members of senior management attend and make presentations to the Board covering all aspects of the Company's operations. Non-executive Directors are able to meet without the Managing Director and management being present, as considered appropriate. Each of the four principle Board meetings provided this opportunity.

The Board holds an annual strategic planning session with management at which the Company's strategic plans for each operating activity and the Group as a whole are presented. This was held as part of the budget review process in May 2008. The Managing Director encourages full access to executive Managers by the Board to ensure transparency at a senior management level and Non-executive Directors are encouraged to visit the Company's operations.

### Retirement and Re-election

The Constitution of the Company requires one third of the Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire by rotation at that Annual General Meeting. Directors cannot hold office for a period in excess of three years without submitting themselves for re-election. Retiring Directors are eligible for re-election by shareholders. Details of those Directors seeking re-election at the 2008 Annual General Meeting are set out in the Directors' Report.

The Board does not believe that any Director has served on the Board for a period which could, or be perceived to, materially interfere with his ability to act in the best interests of the Company.

In reaching this conclusion, the Board has noted that each of R Crabb (the Chairman) and J Borshoff (the Managing Director) will have each served on the Board for 14 years. Notwithstanding their period of service, the Board concluded that both Directors retain independence of character and judgement and continue to make outstanding contributions at Board level. Both bring their unique skills to the Board and participate in robust constructive debate. The Board considers that Mr Borshoff's uranium experience and Mr Crabb's international resource law experience remains valuable at Board level during this critical stage of the Company's development.



Pictures left to right: (1), (2) and (3) Kayelekera

### Nomination and Appointment of New Directors

If it is necessary to appoint a new Director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered and external consultants are engaged to assist in the selection process, if required. The Board assesses the qualifications of the proposed new Director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a Director, that Director must retire at the next following Annual General Meeting and will be eligible for re-election by shareholders at that Annual General Meeting.

New Directors appointed to the Board are invited to participate in an induction programme which includes provision of comprehensive written material regarding the Company such as:-

- Information on the financial, strategic and operational position of the Company;
- A comprehensive letter of appointment which sets out the Company's expectations on acceptance of the position;
- A written statement which sets out the duties, rights and responsibilities they undertake on becoming a Director together with material detailing the operations, policies and practices of the Company; and
- Copies of previous minutes of Board meetings together with recent Annual Reports and interim financial statements.

Further, new Directors are invited to attend briefing sessions with the Managing Director and key members of the senior management team where they may ask questions and direct any queries they may have to the Chairman or the Managing Director or obtain any other briefings they feel necessary from the Chairman or the Managing Director. They are encouraged to attend site visits in liaison with the Managing Director, at appropriate times. Directors agree to participate in continuous improvement programs from time to time, as considered appropriate.

### Evaluation of Board Performance

Improvement in Board processes and effectiveness is a continuing objective and the primary purpose of Board evaluation is to identify ways to improve performance. The Chairman is responsible for conducting an annual review of the Board performance.

An evaluation of the performance of the Board was carried out in the last quarter of the 2008 financial year. This process involved completion of individual questionnaires focused on process, structure, effectiveness and contributions. Responses to the questionnaire were collated and discussed by the Board in an open forum and recommendations for improvement considered.

### Knowledge, Skills and Experience

To assist Directors to maintain an appropriate level of knowledge, skill and experience in the operations of the Company, Directors have the opportunity to undertake site visits to familiarise themselves with the Company's operations.

Directors are also provided with papers, presentations and briefings on the Company's operations and on matters which may affect the Company. These are provided in addition to Board papers and are designed to assist the Directors to gain relevant and timely information to assist in their decision making process. Directors are also encouraged to undertake continuing education relevant to the discharge of their obligations as Directors of the Company. Subject to prior approval by the Company Secretary, the reasonable cost of such education is met by the Company.

### Position Descriptions

The Board has developed and adopted written position descriptions for the Non-executive Chairman of the Board, the Chairman of each Board Committee, the Managing Director and the Company Secretary.

These delineate the role and responsibility of each position and provide clarity on the expectations for those individuals occupying these key positions within the Company.



### Conflicts of Interest

The Code of Conduct for Directors, a copy of which is available on the Company's website, sets out the procedure to be followed if there is, or may be, a conflict between the personal or other interests of a Director and the business of the Company. A Director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter and when the matter comes before the Board for discussion, the Director withdraws from the meeting for the period the matter is considered and takes no part in the discussions or decision-making process.

Minutes reporting on matters in which a Director is considered to have a conflict of interest are not provided to that Director, however, the Director is given notice of the nature of the matter for discussions and, as much as practicable, of the general nature of the discussion or decision reached.

### Remuneration

Details of the remuneration policies and practices of the Company and the remuneration paid to the Directors (Executive and Non-executive) and Senior Executives are set out in the Remuneration Report included in the Directors' Report. Shareholders will be invited to consider and to approve the Remuneration Report at the Annual General Meeting in November 2008.

In relation to the Non-executive Directors there are no termination or retirement benefits.

### Independent advice

The Board and its Committees may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairman, individual Directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities. No Director availed himself of this right during the course of the year.

### Board Committees

The Board has established Audit, Nomination and Remuneration Committees which assist in the discharge of the Board's responsibilities.

Board approved charters set out the terms of reference and rules governing these Committees.

#### Audit Committee

The Audit Committee assists the Board in discharging its responsibilities to ensure that the Company complies with appropriate and effective accounting, auditing, internal control and compliance and reporting practices in accordance with the Audit Committee Charter.

The role of the Audit Committee is to:

- Monitor the integrity of the financial statements of the Company, reviewing significant financial reporting judgments;
- Review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems;
- Monitor and review the effectiveness of the Company's internal audit function;
- Monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services; and
- Perform such other functions as assigned by law, the Company's constitution, or the Board.

The Audit Committee comprises three members, all of whom are independent Non-executive Directors. The current members of the Audit Committee are:-

- Donald Shumka – Chairman (appointed 9 July 2007) Non-executive, Independent Director (George Pirie undertook this role to the date of his resignation , 9 July 2007)
- Sean Llewelyn – Non-executive Director Independent Director
- Ian Noble – Non-executive Director Independent Director

The Audit Committee meets at least once a quarter and at any other time requested by a Board member, Company Secretary or external auditor. The external auditors attend each quarterly meeting and on other occasions where circumstances warrant. At the discretion of the Chairman, having regard to the nature of the agenda, relevant members of management may be invited to attend meetings.

The number of meetings of the Audit Committee during the reporting period and the names on the attendance record is set out in the Directors' Report.

The external auditors are Ernst and Young who were appointed as the Company's auditors in June 2005.

### Nomination Committee

The responsibilities of the Nomination Committee include:-

- Reviewing the size and composition of the Board and making recommendations to the Board on any appropriate changes;
- Developing and planning for identifying, assessing and enhancing Director competencies;
- Making recommendations on the appointment and removal of Directors;
- Evaluating Board performance so that individual and collective performance is regularly and fairly assessed; and
- Providing new Directors with an induction into the Company and provide all Directors with access to on going education relevant to their position.

The Chairman of the Board chairs the Nomination Committee. The Board considers that given the importance of Board composition, it is appropriate that all members of the Board are members of the Nomination Committee.

There were no meetings of the Nomination Committee during the reporting period. This was due to there being no change in Board membership during the year.

### Remuneration Committee

The role of the Committee, in accordance with the Remuneration Committee Charter, is to assist the Board with respect to remuneration by reviewing and making appropriate recommendations on:-

- Remuneration packages of executive Directors, Non-executive Directors and senior executives; and
- Employee incentive and equity based plans including the appropriateness of performance hurdles and total payments proposed.

The ASX Listing Rules and the Constitution require that the maximum aggregate amount of remuneration to be allocated among the Non-executive Directors be approved by the shareholders in general meeting. In proposing the maximum amount for consideration by shareholders, and in determining the allocation, the Remuneration Committee will take into account the time demands made on Directors given the increasing complexity of the Paladin Group and such factors as fees paid to Non-executive Directors in comparable Australian companies.

The remuneration paid to Directors and senior executives is shown in the Directors' Report.

The Remuneration Committee comprises three members, all of whom are independent Directors. The Chairman of the Board is the Chairman of the Remuneration Committee and the Committee shall meet at least twice a year and otherwise as required.

The current members of the Remuneration Committee are:-

- Rick Crabb – Chairman  
Non-executive, Independent Director
- Sean Llewelyn – Non-executive Director  
Independent Director
- Donald Shumka – Non-executive Director  
(appointed 10 August 2007)  
Independent Director  
(George Pirie undertook this role to the date of his resignation , 9 July 2007)

The number of meetings of the Remuneration Committee during the reporting period and the names on the attendance record is set out in the Directors' Report.

## Financial Reporting

### CEO and CFO Sign-offs

In accordance with the Corporations Act 2001, ASX Corporate Governance Principle 4 (Safeguard Integrity in Financial Reporting) and Canadian Securities Law, relevant declarations, statements and certifications have been provided by the Managing Director and the Chief Financial Officer in relation to the Company's 30 June 2008 Annual Report, including financial statements.

### Disclosure Controls

Paladin is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal and timely access to material information concerning the Company.

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange's and Toronto Stock Exchange's securities market and has adopted a Disclosure Control Policy with underlying procedures covering public announcements, the prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, and media communications. This policy reflects the commitment of the Directors and management to promoting consistent disclosure practices aimed at accurate, timely and broadly disseminated disclosure of material information to the market. The Company has formed a Disclosure Control Committee which has responsibility for overseeing and co-ordinating disclosure of all public information. Members of this Committee are the Managing Director, Company Secretary and Chief Financial Officer.

## Risk Management

The Company has established policies on risk oversight and management and has a risk management and internal control system to manage the Company's material business risks. The Company has developed its risk management policy in line with the implementation of the risk management system and a risk management framework.

The Company's Risk Management Policy is to identify, assess, evaluate, monitor and mitigate risks which are considered unacceptable to the Company. Operational business controls have been identified and are in place to ensure unwanted threats to the business are managed. Paladin has also developed the business environment for managers and senior personnel to assess risks and make sound business decisions. Whilst all personnel have a responsibility to identify and report to management risks which may materially affect the Company, the Managing Director has the overall responsibility for the management of risk in the Company. The Managing Director is assisted by the heads of operational business units who "champion" risks within the business unit. Paladin has adopted the Australian and New Zealand Standard 4360:2004, "Risk Management" in managing the risk management process.

The risk management system is designed and implemented by the Managing Director, with assistance from senior executives, and is subject to the review of the Board of Directors.

The Company maintains a Risk Register, which sets out all of the enterprise risks that have been identified and includes an assessment of the risk (risks analysed and evaluated), and treatment plans to mitigate risks. The risk register has been compiled and is subject to periodic review by the Managing Director and senior management to ensure adequate risk control measures have been identified. An operational risk assessment system is in place at the Langer Heinrich and Kayelekera operations, which is continuously reviewed and updated.

Paladin is committed to continual improvement of the risk management process and procedures to ensure the highest return to shareholders and stakeholders.

## Environment

The Company promotes an excellent standard of environmental performance across its business. The Company seeks to prevent, minimise, mitigate and remediate any harmful effects of its operations on the environment and strives to achieve continuous improvement in environmental performance. The Company has adopted an Environmental Policy which includes compliance with all applicable environmental laws as a minimum standard, development and implementation of Environmental Management Systems, preparation of Environmental and Radiological Management Plans and Standards to identify, assess and manage environmental risks, ensuring that its employees and contractors are aware of their environmental responsibilities, consulting with government and other stakeholders in relation to the Company's operations and proposed projects, and undertaking regular audits and reviews and reporting on environmental performance.

## Safety and Occupational Health

The safety, health and wellbeing of employees, contractors and the community are of core value to Paladin's operations. A healthy workforce contributes to business success and the Company's aim is for zero injuries. The Company will encourage safe behaviour by employees and contractors, establish a mindset that injuries are preventable, provide safety education and training, and conduct safety risk assessments. The safety and health performance of Paladin will be measured through internal and external internationally recognised auditing and reporting processes.

## Securities Ownership and Dealings

The Company has a Policy for Trading in Company Securities which is binding on all Directors and employees. The Policy was updated and subsequently approved by the Board on 22 August 2008. This was due to the Company's progress from explorer to producer and to keep the Company at the forefront of best practice in corporate governance. Prescribed 'blackout' periods have been introduced, during which all Directors, officers and employees will be prohibited from dealing in the Company's securities. This is in addition to the overriding prohibition against dealing in the Company's securities when a person is in possession of inside information. In addition, all Directors, officers and employees will need to complete an application form to gain the written acknowledgement of either; the Chairman, Managing Director or the Company Secretary before they deal in the Company's securities.



Pictures left to right: (1) Kayelekera, (2) and (3) Langer Heinrich

The Company's policy also prohibits hedging of options granted under share options plans. This relates to both vested and unvested options. Prohibited hedging practices include put/call arrangements over "in money" options to hedge against a future drop in share price. The Board considers such hedging to be against the spirit of a share option plan and inconsistent with shareholder objectives.

## Codes of Conduct

The Board has approved a **Code of Conduct for Directors** (incorporating underlying Guidelines for the Interpretation of Principles) together with a **Code of Business Conduct and Ethics**, which applies to all Directors, Officers and Employees including those employed by subsidiaries, in all countries where Paladin does business. A copy of the Code is available on the Company's website.

These Codes demonstrate and codify Paladin's commitment to appropriate and ethical corporate practices. Compliance with the Codes will also assist the Company to effectively manage its operating risks and meeting its legal and compliance obligations, as well as enhancing Paladin's corporate reputation.

The principles outlined in this document are intended to:

- Establish a minimum global standard of conduct by which all Paladin employees are expected to abide;
- Protect the business interests of Paladin, its employees and customers;
- Maintain Paladin's reputation for integrity; and
- Facilitate compliance by Paladin employees with applicable legal and regulatory obligations.

The Code of Business Conduct and Ethics addresses honesty and integrity, following the law, conflicts of interest, confidentiality, protection of Company assets, dealing with public officials, responsibility for international operations, employment practices, record keeping and community relations.

The Board has appointed the Company Secretary as the Company's compliance officer in the case of employees, and the Chairman of the Audit Committee in the case of Directors and officers, as the person responsible for receiving reports of breaches of the Code and this is the mechanism by which compliance with the Code is monitored.

The Board has also approved a **Whistleblower Policy** which documents commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

The purpose of the Whistleblower Policy is to:

- Help detect and address unacceptable conduct;
- Help provide employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern to them and to the Company; and
- Help protect people who report unacceptable conduct in good faith.

The Company has a firm commitment to protecting the privacy of any personal information that it collects and holds and recognises its obligations under the existing privacy legislation. It has adopted a **Privacy Policy** which provides details on the collection and use of personal information, circumstances under which it can be disclosed, management and security of personal information and how it can be accessed.

Any changes to the above Codes and Policies are considered by the Board for approval.



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## directors' report

The Directors present their report on the Group consisting of Paladin Energy Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2008.

## Directors

The following persons were Directors of Paladin Energy Ltd (Company) and were in office for this entire period unless otherwise indicated:

|                  |                                                    |
|------------------|----------------------------------------------------|
| Mr Rick Crabb    | (Non-executive Chairman)                           |
| Mr John Borshoff | (Managing Director)                                |
| Mr Sean Llewelyn | (Non-executive Director)                           |
| Mr Ian Noble     | (Non-executive Director)                           |
| Mr Donald Shumka | (Non-executive Director),<br>appointed 9 July 2007 |
| Mr George Pirie  | (Non-executive Director),<br>resigned 9 July 2007  |

## Principal Activity

The principal activity of the Group was exploration, evaluation, development and operation of uranium projects in Africa and Australia.

## Review and Results of Operations

A detailed operational and financial review of the Group is set out on pages 20 to 41 of this report under the section entitled Management Discussion and Analysis.

The Groups loss after tax for the year is US\$36.0 million (2007:US\$37.6 million) representing a decrease of 4% from the previous year.

## Dividends

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

## Significant Changes In The State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report or listed below.

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.

## Significant Events After The Balance Sheet Date

Since the end of the financial period, 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 Group, the results of those operations or the state of affairs of the Group 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 2008 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. On 10 September 2008 the Company announced the allotment of 100,000 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 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 investments totalled A\$1.0 million (US\$1.0 million). After this acquisition the Group now holds 15.30% of Deep Yellow Ltd.

### Resources Upgrade for Langer Heinrich Uranium Project

On the 28 August 2008, the Company announced an updated Mineral Resource estimate for the LHUP. Following the drilling of 717 RC holes for a total of 17,751m in all Details at Langer Heinrich, a new Mineral Resource of 56.4Mt at a grade of 0.06% U<sub>3</sub>O<sub>8</sub> for 32,858t (72.4Mlb) U<sub>3</sub>O<sub>8</sub> in the Measured and Indicated categories and 70.7Mt at a grade of 0.06% U<sub>3</sub>O<sub>8</sub> for 41,557t (91.6Mlb) U<sub>3</sub>O<sub>8</sub> in the Inferred category was estimated. The total resource for Langer Heinrich now stands at some 74,415t (164Mlb) U<sub>3</sub>O<sub>8</sub>. The Directors believe a considerable amount of these Inferred Resources will be able to be converted to Measured and Indicated Resource categories following additional drilling in the future. Ore Reserve studies are currently underway and are expected to be completed in the near future.

### Increased Holding in Summit Resources Ltd

On 28 August 2008, the Company acquired an additional 3,378,733 shares in Summit Resources Ltd pursuant to a renounceable rights issue and 289,739 shares via subscription for the shortfall of the rights issue. The additional investment totalled A\$9.1 million (US\$8.6 million). After these acquisitions the Company now holds 81.99% of Summit Resources Ltd.

### Likely Developments

Likely developments in the operations of the Group constituted by the Company and the entities it controls from time to time are set out under the section entitled Management, Discussion and Analysis.

### Environmental Regulations

The Group is subject to significant environmental regulation in respect to its exploration, evaluation, development and operational activities for uranium projects under the laws of the countries in which its activities are conducted. The Group currently has an operation in Namibia, a development in Malawi and exploration projects in Australia. The Group's Policy is to comply with all applicable environmental laws and regulations in the countries in which it conducts business.

Specific environmental regulations contained within the approvals and licences for the exploration, development and operation apply to the activities conducted at each site. In addition there are many other international and industry standards applied to the Group's activities, including those specified for the global uranium industry. These environmental laws, regulations and standards relate to environmental factors such as radiation, water, flora, fauna, air quality, noise, waste management and pollution control.

The Directors are not aware of any environmental matters which would have a significant adverse effect on the Group.

### Information on Directors

**Mr Rick Wayne Crabb** (Non-executive Chairman) Age 51  
B. Juris (Hons), LLB, MBA, FAICD

Mr Crabb holds degrees of Bachelor of Jurisprudence (Honours), Bachelor of Laws and Master of Business Administration from the University of Western Australia. He has practiced as a solicitor from 1980 to 2004 specialising in mining, corporate and commercial law. He has advised on all legal aspects including financing, marketing, government agreements and construction contracts for many resource development projects in Australia and Africa. Mr Crabb now focuses on his public company directorships and investments. He has been involved as a director and strategic shareholder in a number of successful public companies. He is presently also a director of Golden Rim Resources Ltd (since 2001), Ashburton Minerals Ltd (since 1999), Otto Energy Ltd (since 2004), Port Bouvard Ltd (since 1996) and Royal Resources Limited (since 2004).

Mr Crabb was appointed a director on 8 February 1994 and Chairman on 27 March 2003.

#### Former directorships of listed companies in last three years

ST Synergy Ltd from 2001 to 2005

Aldershot Resources Ltd from 2004 to 2005

Thundelarra Exploration Ltd from 2003 to 2007

#### Special Responsibilities

Chairman of the Board

Chairman of Remuneration Committee from 1 June 2005

Chairman of Nomination Committee from 1 June 2005

**Mr John Borshoff** (Managing Director) Age 63  
B.Sc., F.AusIMM, FAICD

Mr Borshoff is a geologist who has been involved in the Australian and African exploration and mining industry for over 30 years. Mr Borshoff worked for International Nickel and Canadian Superior Mining before joining a German mining group, Uranerz from 1976 to 1991. He became Chief Geologist/Exploration Manager during the period 1981-1986 and served as its chief executive from 1987 to mid 1991 when the German parent of Uranerz made the decision to close its Australian operations. The primary focus of the Uranerz Group was the search and development of uranium with the company operating extensively throughout Australia, North America and Africa.

He has extensive knowledge of the uranium industry and experience in company management, strategic planning and administration. He serves on a number of industry organisations including the board of the Australian Uranium Association, he is Chair of that association's Code of Practice working committee.

Mr Borshoff founded Paladin Energy Ltd and was appointed a Director on 24 September 1993.

### Special Responsibilities

Managing Director

Member of Nomination Committee from 1 June 2005

**Mr Sean Reveille Llewelyn** (Non-executive Director)  
Age 60  
LL.B

Mr Llewelyn first qualified as a solicitor in Australia and England, however he has worked in the finance and merchant banking industries for more than 20 years in Australia, the UK, the USA and South Africa. His considerable experience has been on derivatives, structured finance and early stage investment relating to the metal markets. He has been involved with uranium for many years and has a comprehensive understanding of the uranium market.

Mr Llewelyn was involved as a key player in the formation of a joint venture company between Anglo Gold and First Rand International to assume marketing responsibility for uranium on behalf of Nuclear Fuels Corporation of South Africa (Nufcor).

Mr Llewelyn was appointed to the Board on 12 April 2005.

### Special Responsibilities

Member of Audit Committee from 12 April 2005

Member of Remuneration Committee from 1 June 2005

Member of Nomination Committee from 1 June 2005

**Mr Donald Shumka** (Non-executive Director) Age 66  
B.A., MBA

Mr Shumka is Vancouver based and is the President and Managing Director of Walden Management Ltd., a consulting firm specialising in natural resources. From 1989 to 2004, he was Managing Director, Investment Banking with CIBC World Markets and Raymond James Ltd. Prior to 1989, Mr Shumka was Vice President, Finance and Chief Financial Officer of West Fraser Timber Co. Ltd., one of Canada's largest forest products companies. He holds a Bachelor of Arts Degree in Economics from the University of British Columbia and a Master of Business Administration Degree from Harvard University. He currently sits on the boards of Eldorado Gold Corporation and Magma Energy Corporation.

Mr Shumka was appointed to the Board on 9 July 2007.

### Special Responsibilities

Chairman of Audit Committee from 9 July 2007

Member of Remuneration Committee from 10 August 2007

Member of Nomination Committee from 10 August 2007

**Mr Ian Urquhart Noble** (Non-executive Director) Age 67  
BSc (Metallurgy), F.AusIMM, ARCT

Mr Noble has more than 40 years experience covering the mining, chemical and nuclear industries with a strong emphasis in the mining and mineral processing fields. He is an internationally recognised consultant, specialising in hydrometallurgy and comminution, and has been involved in many of the major mining developments within Australia and overseas. He has held senior management positions with both Wright Engineers Australia Ltd and Fluor Australia and took a lead role in the design of Australia's two major uranium processing plants.

Mr Noble's initial involvement with uranium was with Wright Engineers Pty Limited on the Rabbit Lake project in Canada. In Australia, in 1976, he was Lead Engineer on the Ranger Uranium Feasibility Study, followed by a three year involvement in the design construction phase, initially as Process Engineering Manager, and then a period as Project Engineer for the hydrometallurgical plant, and finally a year on site as Pre-Commissioning and Commissioning Manager. He was subsequently Lead Process Engineer for the design of Western Mining Corporation's Olympic Dam Project.

Mr Noble was appointed to the Board on 29 June 2005.

### Special Responsibilities

Member of Audit Committee from 29 June 2005

Member of Nomination Committee from 29 June 2005

## Interests In The Shares and Options of The Company

As at date of this report, the interests of the Directors in the shares and options of Paladin Energy Ltd were:

|                  | Number of Ordinary Shares | Number of Options over Ordinary Shares |
|------------------|---------------------------|----------------------------------------|
| Mr Rick Crabb    | 5,581,528*                | -                                      |
| Mr John Borshoff | 21,591,394                | 2,750,000                              |
| Mr Ian Noble     | 21,000                    | -                                      |

All other directors do not have an interest in shares and options of Paladin Energy Ltd.

\* Refer to Note 24 To The Consolidated Financial Statements, Key Management Personnel, in respect of events surrounding the decreased shareholding.

## Company Secretary

Ms Gillian Swaby Age 48  
B.Bus, FCIS, FAICD

Ms Swaby has been involved in financial and corporate administration for listed companies, as both Director and Company Secretary covering a broad range of industry sectors, for over 25 years. Ms Swaby has extensive experience in the area of secretarial practice, management accounting and corporate and financial management.

Ms Swaby is past Chair of the Western Australian Council of Chartered Secretaries of Australia, a former Director on their National Board and lecturer for the Securities Institute of Australia. Ms Swaby is the principal of a corporate consulting company and was a member of the Paladin Board for a period of 9 years. She currently serves as a Non-executive Director on Deep Yellow Limited, in which Paladin holds a 15.30% interest at 28 July 2008.

## Directors' Meetings

The number of Directors' meetings and meetings of committees held in the period each Director held office during the financial year, and the number of meetings attended by each Director are:

| Name             | Board of Directors' meetings |                           | Audit Committee meetings |                           | Remuneration Committee meetings |                           | Nomination Committee meetings |                           |
|------------------|------------------------------|---------------------------|--------------------------|---------------------------|---------------------------------|---------------------------|-------------------------------|---------------------------|
|                  | Number attended              | Number eligible to attend | Number attended          | Number eligible to attend | Number attended                 | Number eligible to attend | Number attended               | Number eligible to attend |
| Mr Rick Crabb    | 9                            | 9                         | -                        | -                         | 2                               | 2                         | -                             | -                         |
| Mr John Borshoff | 9                            | 9                         | -                        | -                         | -                               | -                         | -                             | -                         |
| Mr Sean Llewelyn | 8                            | 9                         | 4                        | 5                         | 2                               | 2                         | -                             | -                         |
| Mr Donald Shumka | 8                            | 9                         | 5                        | 5                         | 2                               | 2                         | -                             | -                         |
| Mr Ian Noble     | 7                            | 9                         | 5                        | 5                         | -                               | -                         | -                             | -                         |

## Resignation, Election and Continuation In Office of Directors

In accordance with the Constitution of the Company, Mr Sean Llewelyn retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

## Remuneration Report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the managing director, senior executives, general managers and secretaries of the Parent and the Group.

## Details of Key Management Personnel (Including The Five Highest Executives of The Company and The Group)

### Compensation of Key Management Personnel

#### i) Compensation Policy (audited)

The Remuneration Committee, on behalf of the Board of Directors, monitors compensation of Directors and Executives of the Company.

Generally, compensation is provided by the Company to its Executives (including the Managing Director), by way of base salary, short-term bonus, granting of employee options and superannuation. The overall objective is to ensure that remuneration is fair and reasonable and sufficient to attract and retain qualified and experienced Directors and Executives.

The compensation programme for the Executives of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including:

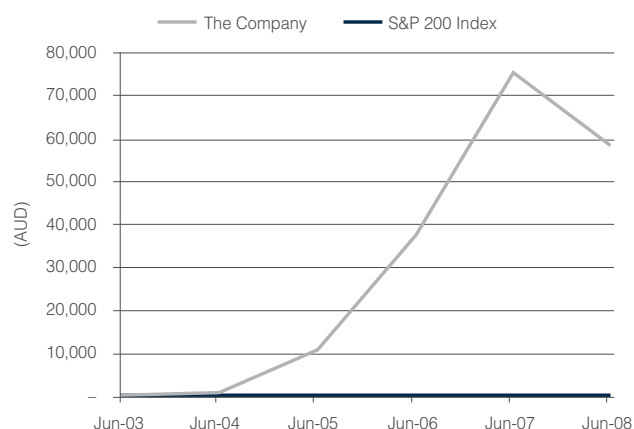
- (a) attracting and retaining talented, qualified and effective Executives;
- (b) motivating their short and long-term performance; and
- (c) aligning their interests with those of the Company's shareholders.

In line with Corporate Governance principles, Non-executive Directors are remunerated solely by way of fees and statutory superannuation. The total pool of fees available is set by shareholders in general meeting.

Following an extensive review with the assistance of external specialist remuneration consultants to both revise the share option plan and determine parameters for the payment of cash bonuses, the new Executive Share Option Plan was approved by shareholders at the 2006 Annual General Meeting. This plan is designed to increase the motivation of key staff and create a stronger link between increasing shareholder value and employee reward.

#### Company Performance

The overall level of compensation takes into account the growth in shareholder wealth of the Company. The chart below compares, assuming an initial investment of A\$100, the yearly percentage change in the cumulative total shareholder return on the Company's Ordinary Shares against the cumulative total shareholder return of the S&P/ASX 200 Index for the Company's five most recently completed financial years.



|                   | 30<br>June<br>2004<br>A\$ | 30<br>June<br>2005<br>A\$ | 30<br>June<br>2006<br>A\$ | 30<br>June<br>2007<br>A\$ | 30<br>June<br>2008<br>A\$ |
|-------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| The Company       | 1,227                     | 10,682                    | 37,364                    | 75,091                    | 58,273                    |
| S&P/ASX 200 Index | 117                       | 141                       | 168                       | 207                       | 172                       |

As the Company has only recently entered the production phase, the overall level of compensation does not focus on the earnings of the Company. The Board is, however, cognisant of general shareholder concern that long-term equity-based reward for key staff should be linked to the achievement by the Company of a performance condition. Accordingly, options granted are subject to performance conditions which must be satisfied before the options vest.

#### Directors' Fees

At the 2007 Annual General Meeting, shareholders approved an increase in the total pool of fees available to be paid to Non-executive Directors to A\$900,000. Given the growth of the Company such an increase was considered necessary to attract and retain directors of a calibre required to effectively guide and monitor the business of the Company and to remunerate them appropriately for the expectations placed upon them both by the Company and the regulatory environment in which it operates.

Fees payable to Non-executive Directors are set at A\$160,000 per annum each, effective 1 February 2008, inclusive of any superannuation obligations. Exceptions to this fee structure are the Chairman of the Audit Committee who receives an additional A\$20,000 per annum, and the Chairman of the Board who receives an additional A\$165,000 per annum. The increased fees were arrived at on the basis of a review by external independent remuneration consultants looking at companies with similar market capitalisation.

Compensation paid to the Managing Director is set out under (iv) Contracts for Services.

In addition, the Company's Constitution provides for additional compensation to be paid if any of the Directors are called upon to perform extra services or make any special exertions on behalf of the Company or the business of the Company. The Directors may compensate such Director in accordance with such services or exertions, and such compensation may be either in addition to or in substitution for the Directors' fees referred to above.

#### Executives

##### Base Salary

The first step to attracting and retaining talented, qualified and effective Executives is paying base salaries which are competitive in the markets in which the Company operates. Competitive salary information on companies of a comparable size in the resource industry is compiled from a variety of sources, including surveys conducted by independent consultants and national and international publications. In addition, external remuneration consultants are involved in the process of salary determination.

### Expatriate Benefits

Executives who are required to fulfil their responsibilities as an expatriate receive benefits which may include health insurance, housing and car allowances, educational fees and tax advisory services.

### Short-term Cash Bonus

The Company provides short-term bonuses to Executives of up to 20% of base salary. The short-term cash bonuses are entirely discretionary however the following measures are taken into account where these are applicable to the specific Executive:

- (a) production performance;
- (b) project development performance;
- (c) additional uranium resources delineated;
- (d) performance of the Company in meeting its various other objectives;
- (e) financial performance of the Company; and
- (f) such other matters determined by the Remuneration Committee in its discretion.

Specific targets for individuals have not been set.

On an annual basis, as part of the remuneration review process and taking into account both the individuals the Company's performance, the Remuneration Committee in accordance with its charter, determines the amount, if any, of the short-term bonus to be paid.

In respect of the Managing Director, a bonus of up to 100% of base salary can be achieved, to be determined by the Remuneration Committee having consideration to outcomes achieved during the year.

Outcomes to be considered include:

- Continued nameplate (or better) production at Langer Heinrich;
- Kayelekera construction continuing on schedule and within budget;
- continued high safety and environmental achievements;
- continued good social programmes in Karonga region;
- development of the Paladin Nuclear Ltd business model;
- successful M&A activity;
- ongoing improvement (to handle corporate growth) of organisational structure, controls, reporting and infrastructure; and
- impact on total shareholder return.

The above measures have been selected to align the interests of Executives with shareholders. The Remuneration Committee is responsible for assessing whether the measures are met.

### Share Incentive Option Plan

The Company believes that encouraging its key employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's Executive Share Option Plan which was approved by shareholders in November 2006. This replaced the previous plan and the Board believes that grants made under this Plan provide a powerful tool to achieve the following objectives:-

- enable the Company to recruit and retain the talented people needed to achieve the Company's business objectives;
- link the reward of key staff with the achievement of strategic goals and the long-term performance of the Company;
- align the financial interests of Plan participants with those of the shareholders; and
- provide incentives to Plan participants to focus on superior performance that creates shareholder value.

The Board determines the number of options offered to an employee by reference to their base package and the option value, based on the binomial tree method with reference to the following formula:-

$$\text{Number of Options} = \frac{\text{Base Package} \times \text{Stretch LTI}\%}{\text{Option value (based on the binomial tree model)}}$$

The resultant number of options may be adjusted, at the Board's discretion, to deal with any special circumstances or other factors.

"Stretch LTI" refers to the long-term incentive percentage of the Base Package that allows the maximum number of options to vest (i.e. become able to be exercised) if the performance condition is satisfied to the maximum.

The "binomial tree model" for determining the option value is the mathematical model used in accordance with the International Financial Reporting Standards.

By way of example, the stretch LTI is, in the case of the Managing Director, 180%; and senior executives 100%.

Information on the Option Plan is set out under Note 29 Share Based Payment Plan. During the financial year, a number of options were granted to attract high calibre executives, in what continues to be a highly competitive and tight market for human capital. These options granted during the year included specific vesting periods.

The Company's policy prohibits hedging of options granted under share option plans. Prohibited hedging practices include put/call arrangements over "in money" options to hedge against a future drop in share price. The Board considers such hedging to be against the spirit of a share option plan and inconsistent with shareholder objectives.

ii) Compensation of Key Management Personnel for the year ended 30 June 2008 (Consolidated and Company)

|                    | Short-term       |               |                             |                    | Post<br>Employment  | Share<br>Based<br>Payment | Total         | Total <sup>(3)</sup> | Total<br>Perfor-<br>mance<br>Related | Total<br>Perfor-<br>mance<br>Related |
|--------------------|------------------|---------------|-----------------------------|--------------------|---------------------|---------------------------|---------------|----------------------|--------------------------------------|--------------------------------------|
|                    | Salary<br>& fees | Cash<br>bonus | Non<br>Monetary<br>Benefits | Other              | Superan-<br>nuation | Options                   |               |                      |                                      |                                      |
|                    | A\$'000          | A\$'000       | A\$'000                     | A\$'000            | A\$'000             | A\$'000                   | A\$'000       | US\$'000             | A\$'000                              | %                                    |
| <b>Directors</b>   |                  |               |                             |                    |                     |                           |               |                      |                                      |                                      |
| Mr Rick Crabb      | 256              | -             | -                           | -                  | 13                  | -                         | 269           | 240                  | -                                    | -                                    |
| Mr John Borshoff   | 1,587            | 600           | -                           | -                  | 13                  | 3,145                     | 5,345         | 4,779                | 3,745                                | 70.1                                 |
| Mr Sean Llewelyn   | 127              | -             | -                           | -                  | 11                  | -                         | 138           | 123                  | -                                    | -                                    |
| Mr George Pirie    | 2                | -             | -                           | -                  | -                   | -                         | 2             | 2                    | -                                    | -                                    |
| Mr Ian Noble       | 127              | -             | -                           | -                  | 11                  | -                         | 138           | 123                  | -                                    | -                                    |
| Mr Donald Shumka   | 151              | -             | -                           | -                  | -                   | -                         | 151           | 135                  | -                                    | -                                    |
| Subtotal           | 2,250            | 600           | -                           | -                  | 48                  | 3,145                     | 6,043         | 5,402                | 3,745                                |                                      |
| <b>Executives</b>  |                  |               |                             |                    |                     |                           |               |                      |                                      |                                      |
| Ms Gillian Swaby   | -                | 35            | -                           | 390 <sup>(1)</sup> | -                   | 229                       | 654           | 585                  | 264                                  | 40.4                                 |
| Mr Ron Chamberlain | 272              | 20            | -                           | -                  | 13                  | 170                       | 475           | 425                  | 190                                  | 40.0                                 |
| Mr Wyatt Buck      | 341              | 50            | 10                          | -                  | 41                  | 598                       | 1,040         | 930                  | 648                                  | 62.3                                 |
| Mr James Eggins    | 317              | 20            | -                           | -                  | 13                  | 462                       | 812           | 726                  | 482                                  | 59.4                                 |
| Mr Dustin Garrow   | 575              | -             | -                           | -                  | -                   | 501                       | 1,076         | 962                  | 501                                  | 46.6                                 |
| Mr David Marsh     | 302              | 30            | -                           | -                  | 13                  | 953                       | 1,298         | 1,161                | 983                                  | 75.7                                 |
| Mr Brendan O'Hara  | 247              | 50            | -                           | -                  | 13                  | 854                       | 1,164         | 1,041                | 904                                  | 77.7                                 |
| Mr Simon Solomons  | 211              | -             | 22                          | -                  | 7                   | 225                       | 465           | 416                  | 225                                  | 48.4                                 |
| Mr Andrew Morgan   | 427              | 50            | -                           | -                  | 13                  | 544                       | 1,034         | 925                  | 594                                  | 57.4                                 |
| Mr Eduard Becker   | 143              | 50            | -                           | -                  | 7                   | 115                       | 315           | 282                  | 165                                  | 52.4                                 |
| Ms Cathy Gupanis   | 34               | -             | -                           | -                  | 2                   | 30 <sup>(2)</sup>         | 66            | 59                   | 30                                   | 45.5                                 |
| Mr Greg Walker     | 157              | -             | 8                           | -                  | 7                   | 168                       | 340           | 304                  | 168                                  | 49.4                                 |
| Mr Ross Glossop    | -                | -             | -                           | -                  | -                   | 15 <sup>(2)</sup>         | 15            | 13                   | 15                                   | 100.0                                |
| Subtotal           | 3,026            | 305           | 40                          | 390                | 129                 | 4,864                     | 8,754         | 7,829                | 5,169                                |                                      |
| <b>Total</b>       | <b>5,276</b>     | <b>905</b>    | <b>40</b>                   | <b>390</b>         | <b>177</b>          | <b>8,009</b>              | <b>14,797</b> | <b>13,231</b>        | <b>8,914</b>                         |                                      |

<sup>(1)</sup> Other represents fees paid for company secretarial services to a company of which Ms Gillian Swaby is a director and shareholder.

<sup>(2)</sup> Options were granted on acceptance of the position prior to commencement

<sup>(3)</sup> Exchange rate used in average for year US\$ 1= AU\$ 1.11832

ii) Compensation of Key Management Personnel for the year ended 30 June 2007 (Consolidated and Company)

|                               | Short-term                  |                          |                                        |                      | Post<br>Employment             | Share<br>Based<br>Payment | Total         | Total <sup>(4)</sup> | Total<br>Performance<br>Related | Total<br>Performance<br>Related |
|-------------------------------|-----------------------------|--------------------------|----------------------------------------|----------------------|--------------------------------|---------------------------|---------------|----------------------|---------------------------------|---------------------------------|
|                               | Salary<br>& fees<br>A\$'000 | Cash<br>bonus<br>A\$'000 | Non<br>Monetary<br>Benefits<br>A\$'000 | Other<br>A\$'000     | Superan-<br>nuation<br>A\$'000 | Options<br>A\$'000        | A\$'000       | US\$'000             | A\$'000                         | %                               |
| <b>Directors</b>              |                             |                          |                                        |                      |                                |                           |               |                      |                                 |                                 |
| Mr Rick Crabb                 | 202                         | -                        | -                                      | -                    | 13                             | -                         | 215           | 169                  | -                               | -                               |
| Mr John Borshoff              | 921                         | 600                      | -                                      | -                    | 13                             | 1,098                     | 2,632         | 2,064                | 1,698                           | 64.5                            |
| Mr Sean Llewelyn              | 95                          | -                        | -                                      | -                    | 9                              | -                         | 104           | 82                   | -                               | -                               |
| Mr George Pirie               | 109                         | -                        | -                                      | -                    | -                              | -                         | 109           | 85                   | -                               | -                               |
| Mr Ian Noble                  | 95                          | -                        | -                                      | -                    | 9                              | -                         | 104           | 82                   | -                               | -                               |
| Subtotal                      | 1,422                       | 600                      | -                                      | -                    | 44                             | 1,098                     | 3,164         | 2,482                | 1,698                           |                                 |
| <b>Executives</b>             |                             |                          |                                        |                      |                                |                           |               |                      |                                 |                                 |
| Mr Garnet Halliday (deceased) | 355                         | 150                      | -                                      | 178 <sup>(1)</sup>   | 9                              | -                         | 692           | 543                  | 150                             | 21.7                            |
| Ms Gillian Swaby              | -                           | 50                       | -                                      | 302 <sup>(2)</sup>   | -                              | 55                        | 407           | 319                  | 105                             | 25.8                            |
| Mr Ron Chamberlain            | 232                         | 20                       | -                                      | -                    | 13                             | 167                       | 432           | 339                  | 187                             | 43.3                            |
| Mr Wyatt Buck                 | 315                         | 30                       | 21                                     | -                    | -                              | 1,136                     | 1,502         | 1,178                | 1,166                           | 77.6                            |
| Mr James Eggins               | 340                         | 35                       | -                                      | -                    | 13                             | 532                       | 920           | 722                  | 567                             | 61.6                            |
| Mr Dustin Garrow              | 266                         | -                        | -                                      | 5,249 <sup>(3)</sup> | -                              | 554                       | 6,069         | 4,760                | 554                             | 9.1                             |
| Mr David Marsh                | 280                         | 38                       | 127                                    | -                    | 13                             | 1,354                     | 1,812         | 1,421                | 1,392                           | 76.8                            |
| Mr Brendan O'Hara             | 180                         | 5                        | -                                      | -                    | 12                             | 1,052                     | 1,249         | 980                  | 1,057                           | 84.6                            |
| Subtotal                      | 1,968                       | 328                      | 148                                    | 5,729                | 60                             | 4,850                     | 13,083        | 10,262               | 5,178                           |                                 |
| <b>Total</b>                  | <b>3,390</b>                | <b>928</b>               | <b>148</b>                             | <b>5,729</b>         | <b>104</b>                     | <b>5,948</b>              | <b>16,247</b> | <b>12,744</b>        | <b>6,876</b>                    |                                 |

<sup>(1)</sup> Other represents a death benefit.

<sup>(2)</sup> Other represents fees paid for company secretarial services to a company of which Ms Gillian Swaby is a director and shareholder.

<sup>(3)</sup> Other represents a discretionary payment relating to the 2004 to 2006 formative period for the Company.

<sup>(4)</sup> Exchange rate used in average for year US\$1 = AU\$ 1.27493

iii) Compensation by Category: Key Management Personnel

|                     | Consolidated     |                  | Parent Entity    |                  |
|---------------------|------------------|------------------|------------------|------------------|
|                     | 2008<br>US\$'000 | 2007<br>US\$'000 | 2008<br>US\$'000 | 2007<br>US\$'000 |
| Short-Term          | 5,911            | 7,998            | 5,553            | 7,710            |
| Post Employment     | 158              | 81               | 121              | 81               |
| Share-Based Payment | 7,162            | 4,655            | 6,627            | 3,774            |
|                     | 13,231           | 12,744           | 12,301           | 11,565           |

iv) Contracts for Services

Remuneration and other terms of employment for the Key Management Personnel are normally formalised in contracts for services.

All contracts with Key Management Personnel may be terminated early by either party providing between 3 to 6 months written notice or providing payments in lieu of the notice period (based on fixed component of remuneration). On termination notice by the Company, any options that have vested, or that will vest during the notice period, will be released. Options that have not yet vested will be forfeited.

**Mr John Borshoff**, Managing Director

Term of agreement – 2 years commencing 1 March 2008.

Base salary, inclusive of superannuation, of A\$1,400,000 increased to A\$1,800,000 effective 1 January 2008.

Payment of a benefit on retirement or early termination by the Company, other than for gross misconduct, equal to 2 times base salary for the two years immediately preceding the termination date. This benefit was approved by the Company shareholders on 9 November 2005.

**Ms Gillian Swaby**, Company Secretary

No contract for service exists for Ms Gillian Swaby and fees are paid in the ordinary course of business for company secretarial services to a company of which Ms Gillian Swaby is a director and shareholder.

**Mr Ron Chamberlain**, Chief Financial Officer  
(Resigned 18<sup>th</sup> July 2008)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$250,000 increased to A\$320,000 effective 1 January 2008.

No termination benefit is specified in the agreement.

**Mr Wyatt Buck**, General Manager  
– Production & Langer Heinrich Operations

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$280,000 + 10% expatriate allowance increased to A\$400,000 effective 1 January 2008.

No termination benefit is specified in the agreement.

**Mr James Eggins**, General Manager  
– Sales and Contract Administration

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$320,000 increased to A\$340,000 effective 1 January 2008.

No termination benefit is specified in the agreement.

**Mr Dustin Garrow**, Executive General Manager  
– Marketing

Term of agreement – no fixed term.

Base salary, of A\$550,000, increased to A\$600,000 effective 1 January 2008.

No termination benefit is specified in the agreement.

**Mr Brendan O'Hara**, General Manager  
– Special Projects & Risk

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$220,000, increased to A\$300,000 effective 1 January 2008.

No termination benefit is specified in the agreement.

**Mr David Marsh**, General Manager  
– Technical Project Development

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$300,000, increased to A\$330,000 effective 1 January 2008.

No termination benefit is specified in the agreement.

**Mr Ross Glossop**, Chief Financial Officer  
(Commenced 18<sup>th</sup> July 2008)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A\$425,000.

No termination benefit is specified in the agreement.

Options were granted on acceptance of the position prior to his commencement on 18<sup>th</sup> July 2008.

**Mr Simon Solomons**, Executive General Manager –  
Operations Development (Commenced 12<sup>th</sup> January 2008)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A\$430,000.

No termination benefit is specified in the agreement.

**Mr Andrew Morgan**, General Manager Project  
Construction (Commenced 1<sup>st</sup> July 2007,  
formerly on contract for 2 years)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A\$366,666 plus 20% expatriate allowance increased to A\$400,000 plus 10% expatriate allowance effective 1 January 2008.

No termination benefit is specified in the agreement.

**Mr Ed Becker**, General Manager – Geology & Exploration  
(Promoted 1<sup>st</sup> January 2008)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A\$300,000.

No termination benefit is specified in the agreement.

**Ms Cathy Gupanis**, General Manager – Sustainable Development (Commenced 1<sup>st</sup> May 2008, formerly a consultant for 10 years)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A\$218,625.

No termination benefit is specified in the agreement.

**Mr Greg Walker**, General Manager – International Affairs  
(Commenced 7<sup>th</sup> January 2008)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A\$325,000.

No termination benefit is specified in the agreement.

Remuneration for all parties referred to above includes provision of an annual discretionary bonus and initial and ongoing discretionary grant of options.

v) Compensation Options: Granted and vested during the year (Consolidated and Company)

During the financial year options were granted as equity compensation benefits under the long-term incentive plan to certain Key Management Personnel. The options were issued at no consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at the exercise price. The contractual life of each option granted is five years (2007: five years). There are no cash settlement alternatives. No options have been granted since the end of the year to the Key Management Personnel listed below. For further details relating to the options, refer to Note 29.

|                     | Vested           | Granted          | Terms & Conditions for each Grant |                                                     |                                           |             |                     |                    |
|---------------------|------------------|------------------|-----------------------------------|-----------------------------------------------------|-------------------------------------------|-------------|---------------------|--------------------|
|                     | No.              | No.              | Grant Date                        | Fair Value per option at grant date (A\$) (Note 29) | Exercise Price per option (A\$) (Note 29) | Expiry Date | First Exercise Date | Last Exercise Date |
| <b>30 June 2008</b> |                  |                  |                                   |                                                     |                                           |             |                     |                    |
| <b>Directors</b>    |                  |                  |                                   |                                                     |                                           |             |                     |                    |
| Mr John Borshoff    |                  | 1,250,000        | 29/01/08                          | A\$2.90                                             | A\$4.50                                   | 29/01/13    | 29/01/11            | 29/01/13           |
| <b>Executives</b>   |                  |                  |                                   |                                                     |                                           |             |                     |                    |
| Ms Gillian Swaby    | -                | 258,785          | 29/01/08                          | A\$2.66                                             | A\$4.50                                   | 29/01/13    | 29/01/11            | 29/01/13           |
| Mr Ron Chamberlain  | 200,000          | 100,545          | 29/01/08                          | A\$2.66                                             | A\$4.50                                   | 29/01/13    | 29/01/11            | 29/01/13           |
| Mr Wyatt Buck       | 500,000          | 201,533          | 29/01/08                          | A\$2.66                                             | A\$4.50                                   | 29/01/13    | 29/01/11            | 29/01/13           |
| Mr James Eggins     | 650,000          | 146,698          | 29/01/08                          | A\$2.66                                             | A\$4.50                                   | 29/01/13    | 29/01/11            | 29/01/13           |
| Mr Dustin Garrow    | 600,000          | 266,199          | 29/01/08                          | A\$2.66                                             | A\$4.50                                   | 29/01/13    | 29/01/11            | 29/01/13           |
| Mr David Marsh      | 500,000          | 140,654          | 29/01/08                          | A\$2.66                                             | A\$4.50                                   | 29/01/13    | 29/01/11            | 29/01/13           |
| Mr Brendan O'Hara   | 500,000          | 216,480          | 29/01/08                          | A\$2.66                                             | A\$4.50                                   | 29/01/13    | 29/01/11            | 29/01/13           |
| Mr Simon Solomons   | -                | 600,000          | 29/01/08                          | A\$2.66                                             | A\$4.50                                   | 29/01/13    | 29/01/11            | 29/01/13           |
| Mr Andrew Morgan    | 150,000          | 235,296          | 29/01/08                          | A\$2.66                                             | A\$4.50                                   | 29/01/13    | 29/01/11            | 29/01/13           |
| Mr Eduard Becker    | -                | 208,925          | 29/01/08                          | A\$2.66                                             | A\$4.50                                   | 29/01/13    | 29/01/11            | 29/01/13           |
| Ms Cathy Gupanis    | -                | 25,000           | 18/04/08                          | A\$2.61                                             | A\$4.59                                   | 18/04/13    | 18/04/11            | 18/04/13           |
| Mr Greg Walker      | -                | 450,000          | 29/01/08                          | A\$2.66                                             | A\$4.50                                   | 29/01/13    | 29/01/11            | 29/01/13           |
| Mr Ross Glossop     |                  | 450,000          | 18/06/08                          | A\$3.01                                             | A\$5.27                                   | 18/06/13    | 18/06/11            | 18/06/13           |
| <b>Total</b>        | <b>3,100,000</b> | <b>4,550,115</b> |                                   |                                                     |                                           |             |                     |                    |

|                     | Vested         | Granted          | Terms & Conditions for each Grant |                                                     |                                           |             |                     |                    |
|---------------------|----------------|------------------|-----------------------------------|-----------------------------------------------------|-------------------------------------------|-------------|---------------------|--------------------|
|                     | No.            | No.              | Grant Date                        | Fair Value per option at grant date (A\$) (Note 29) | Exercise Price per option (A\$) (Note 29) | Expiry Date | First Exercise Date | Last Exercise Date |
| <b>30 June 2007</b> |                |                  |                                   |                                                     |                                           |             |                     |                    |
| <b>Directors</b>    |                |                  |                                   |                                                     |                                           |             |                     |                    |
| Mr John Borshoff    | -              | 1,500,000        | 1/02/07                           | A\$5.27                                             | A\$8.77                                   | 1/02/12     | 1/02/10             | 1/02/12            |
| <b>Executives</b>   |                |                  |                                   |                                                     |                                           |             |                     |                    |
| Ms Gillian Swaby    | -              | 75,000           | 1/02/07                           | A\$5.27                                             | A\$8.77                                   | 1/02/12     | 1/02/10             | 1/02/12            |
| Mr Ron Chamberlain  | -              | 35,700           | 1/02/07                           | A\$4.65                                             | A\$8.77                                   | 1/02/12     | 1/02/10             | 1/02/12            |
| Mr Wyatt Buck       | 500,000        | 150,000          | 1/02/07                           | A\$4.65                                             | A\$8.77                                   | 1/02/12     | 1/02/10             | 1/02/12            |
| Mr James Eggins     | -              | 100,000          | 1/02/07                           | A\$4.65                                             | A\$8.77                                   | 1/02/12     | 1/02/10             | 1/02/12            |
| Mr Dustin Garrow    | -              | 78,570           | 1/02/07                           | A\$4.65                                             | A\$8.77                                   | 1/02/12     | 1/02/10             | 1/02/12            |
| Mr David Marsh      | -              | 100,000          | 1/02/07                           | A\$4.65                                             | A\$8.77                                   | 1/02/12     | 1/02/10             | 1/02/12            |
| Mr Brendan O'Hara   | -              | 1,000,000        | 5/07/06                           | A\$1.96                                             | A\$5.50                                   | 5/07/09     | 5/01/08             | 5/07/09            |
| Mr Brendan O'Hara   | -              | 31,400           | 1/02/07                           | A\$4.65                                             | A\$8.77                                   | 1/02/12     | 1/02/10             | 1/02/12            |
| <b>Total</b>        | <b>500,000</b> | <b>3,070,670</b> |                                   |                                                     |                                           |             |                     |                    |

vi) Shares Issued on exercise of Compensation Options (Consolidated and Company)

|                    | Shares issued    | Paid per share (Note 29) | Unpaid per share | Value at exercise date |
|--------------------|------------------|--------------------------|------------------|------------------------|
| 30 June 2008       | No.              | A\$                      | A\$              | A\$                    |
| <b>Directors</b>   |                  |                          |                  |                        |
| Mr John Borshoff   | 3,750,000        | A\$1.00                  | -                | 23,100,000             |
| Mr Rick Crabb      | 3,250,000        | A\$1.00                  | -                | 20,020,000             |
| <b>Executives</b>  |                  |                          |                  |                        |
| Ms Gillian Swaby   | 2,750,000        | A\$1.00                  | -                | 18,700,000             |
| Mr Ron Chamberlain | 200,000          | A\$2.80                  | -                | 1,282,000              |
| <b>Total</b>       | <b>9,750,000</b> |                          |                  |                        |

No other Key Management Personnel exercised options during the year ended 30 June 2008.

|                    | Shares issued    | Paid per share (Note 29) | Unpaid per share | Value at exercise date |
|--------------------|------------------|--------------------------|------------------|------------------------|
| 30 June 2007       | No.              | A\$                      | A\$              | A\$                    |
| <b>Executives</b>  |                  |                          |                  |                        |
| Mr Ron Chamberlain | 500,000          | A\$1.00                  | -                | 3,990,000              |
| Mr Ron Chamberlain | 300,000          | A\$1.25                  | -                | 1,248,000              |
| Mr Garnet Halliday | 2,000,000        | A\$1.00                  | -                | 14,240,000             |
| Mr Garnet Halliday | 1,000,000        | A\$1.25                  | -                | 7,120,000              |
| Mr James Eggins    | 350,000          | A\$1.00                  | -                | 1,456,000              |
| Mr Dustin Garrow   | 400,000          | A\$1.00                  | -                | 1,816,000              |
| <b>Total</b>       | <b>4,550,000</b> |                          |                  |                        |

No other Key Management Personnel exercised options during the year ended 30 June 2007.

vii) Options granted as part of remuneration

|                 | Value of options<br>granted during<br>the year<br>A\$000 | Value of options<br>exercised during<br>the year<br>A\$000 | Value of options<br>lapsed during<br>the year<br>A\$000 | % Remuneration<br>consisting of<br>for the year<br>A\$000 |
|-----------------|----------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------|
| John Borshoff   | 3,625                                                    | 948                                                        | -                                                       | 58.8%                                                     |
| Gillian Swaby   | 688                                                      | 670                                                        | -                                                       | 35.0%                                                     |
| Ron Chamberlain | 267                                                      | 288                                                        | -                                                       | 35.8%                                                     |
| Wyatt Buck      | 536                                                      | -                                                          | -                                                       | 57.5%                                                     |
| James Eggins    | 390                                                      | -                                                          | -                                                       | 56.9%                                                     |
| Dustin Garrow   | 708                                                      | -                                                          | -                                                       | 46.6%                                                     |
| David Marsh     | 374                                                      | -                                                          | -                                                       | 73.4%                                                     |
| Brendan O'Hara  | 576                                                      | -                                                          | -                                                       | 73.4%                                                     |
| Simon Solomons  | 1,596                                                    | -                                                          | -                                                       | 48.4%                                                     |
| Andrew Morgan   | 626                                                      | -                                                          | -                                                       | 52.6%                                                     |
| Eduard Becker   | 556                                                      | -                                                          | -                                                       | 36.5%                                                     |
| Cathy Gupanis   | 65                                                       | -                                                          | -                                                       | 45.5%                                                     |
| Greg Walker     | 1,197                                                    | -                                                          | -                                                       | 49.4%                                                     |
| Ross Glossop    | 1,354                                                    | -                                                          | -                                                       | 100.0%                                                    |

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

The outstanding balance of Ron Chamberlain's unvested options was forfeited following his resignation from the company, on 10 July 2008.

The maximum grant, which will be payable assuming that all service and performance criteria are met, is equal to the number of options granted multiplied by the fair value at the grant date. The minimum grant payable assuming that service and performance criteria are not met is zero.

## Shares Under Option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

| Date options granted | Expiry date      | Exercise price<br>of options | Number under<br>option |
|----------------------|------------------|------------------------------|------------------------|
| 13 January 2006      | 13 January 2009  | A\$2.80                      | 820,000                |
| 19 January 2006      | 13 January 2009  | A\$2.80                      | 500,000                |
| 16 February 2006     | 13 January 2009  | A\$2.80                      | 1,100,000              |
| 27 April 2006        | 28 April 2009    | A\$5.50                      | 1,565,000              |
| 5 July 2006          | 5 July 2009      | A\$5.50                      | 600,000                |
| 20 July 2006         | 5 July 2009      | A\$5.50                      | 400,000                |
| 1 February 2007      | 1 February 2012  | A\$8.77                      | 2,697,970              |
| 29 January 2008      | 29 January 2013  | A\$4.50                      | 7,588,485              |
| 15 February 2008     | 15 February 2011 | A\$5.37                      | 700,000                |
| 15 February 2008     | 15 February 2013 | A\$5.37                      | 450,000                |
| 18 April 2008        | 18 April 2013    | A\$4.59                      | 1,075,000              |
| 18 June 2008         | 18 June 2013     | A\$5.27                      | 450,000                |
| <b>Total</b>         |                  |                              | <b>17,946,455</b>      |

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

### Shares Issued as a Result of The Exercise of Options

During the financial year, directors, employees and consultants have exercised options to acquire 11,060,000 fully paid ordinary shares in Paladin Energy Ltd at a weighted average price of A\$1.06. Since the end of the financial year, a further 500,000 options have been exercised, at a weighted average price of A\$4.96.

### Insurance of Officers

During the financial year, the Company has paid premiums to insure the Directors and Specified Executives against certain liabilities arising out of their conduct while acting as an officer of the Company. Under the terms and conditions of the insurance contract, the nature of liabilities insured against and the premium paid cannot be disclosed.

### Rounding

The amounts contained in this report, the Financial Report and the Management, Discussion and Analysis have been rounded to the nearest US\$100,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

### Auditor

Ernst & Young were appointed auditors for the Company on 21 June 2005, which was approved by shareholders at the 2005 Annual General Meeting on 9 November 2005.

### Auditor Independence and Non-Audit Services

The Directors received the following declaration from the auditor of Paladin Energy Ltd.

#### Auditor's Independence Declaration to The Directors of Paladin Energy Ltd

In relation to our audit of the financial report of Paladin Energy Ltd for the year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

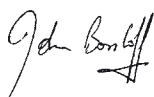
V W Tidy  
Partner  
Perth  
11 September 2008

### Non-Audit Services

The following non-audit and assurance services were provided by the Company's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit and assurance services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit and assurance service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive US\$335,000 for the year ended 30 June 2008 for the provision of taxation services.

Signed in accordance with a resolution of the Directors.



Mr John Borshoff  
Managing Director  
Perth, Western Australia  
11 September 2008

# financial report

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# consolidated income statements

for the year ended 30 June 2008

|                                                                                                             | Notes | Consolidated<br>2008<br>US\$M | 2007<br>US\$M | Parent Entity<br>2008<br>US\$M | 2007<br>US\$M |
|-------------------------------------------------------------------------------------------------------------|-------|-------------------------------|---------------|--------------------------------|---------------|
| <b>Revenue from continuing operations</b>                                                                   |       |                               |               |                                |               |
| Revenue                                                                                                     | 4(a)  | 101.9                         | 11.2          | 11.2                           | 10.8          |
| Cost of sales                                                                                               | 4(c)  | (66.4)                        | (12.0)        | -                              | -             |
| <b>Gross profit/(loss)</b>                                                                                  |       | <b>35.5</b>                   | <b>(0.8)</b>  | <b>11.2</b>                    | <b>10.8</b>   |
| 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)                         | -             | -                              | -             |
| <b>Loss before income tax benefit</b>                                                                       |       | <b>(44.2)</b>                 | <b>(49.7)</b> | <b>(44.4)</b>                  | <b>(28.2)</b> |
| Income tax benefit                                                                                          | 5     | 7.0                           | 11.7          | 2.6                            | 1.2           |
| <b>Loss after tax from continuing operations</b>                                                            |       | <b>(37.2)</b>                 | <b>(38.0)</b> | <b>(41.8)</b>                  | <b>(27.0)</b> |
| Minority interests                                                                                          | 22    | 1.2                           | 0.4           | -                              | -             |
| <b>Loss after tax from continuing operations attributable to the ordinary equity holders of the Company</b> |       | <b>(36.0)</b>                 | <b>(37.6)</b> | <b>(41.8)</b>                  | <b>(27.0)</b> |
| <b>Earnings per share</b>                                                                                   |       |                               |               |                                |               |
|                                                                                                             |       | <b>US\$</b>                   | <b>US\$</b>   |                                |               |
| 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.

# consolidated balance sheets

as at 30 June 2008

|                                        | Notes | Consolidated<br>2008<br>US\$M | 2007<br>US\$M  | Parent Entity<br>2008<br>US\$M | 2007<br>US\$M  |
|----------------------------------------|-------|-------------------------------|----------------|--------------------------------|----------------|
| <b>ASSETS</b>                          |       |                               |                |                                |                |
| <b>Current assets</b>                  |       |                               |                |                                |                |
| 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                           | -              | -                              | -              |
| <b>TOTAL CURRENT ASSETS</b>            |       | <b>447.9</b>                  | <b>233.4</b>   | <b>326.8</b>                   | <b>173.9</b>   |
| <b>Non current assets</b>              |       |                               |                |                                |                |
| 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           | -                              | -              |
| <b>TOTAL NON CURRENT ASSETS</b>        |       | <b>2,115.2</b>                | <b>1,825.0</b> | <b>1,256.1</b>                 | <b>1,125.9</b> |
| <b>TOTAL ASSETS</b>                    |       | <b>2,563.1</b>                | <b>2,058.4</b> | <b>1,582.9</b>                 | <b>1,299.8</b> |
| <b>LIABILITIES</b>                     |       |                               |                |                                |                |
| <b>Current liabilities</b>             |       |                               |                |                                |                |
| 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            |
| <b>TOTAL CURRENT LIABILITIES</b>       |       | <b>54.1</b>                   | <b>29.0</b>    | <b>8.5</b>                     | <b>3.3</b>     |
| <b>Non current liabilities</b>         |       |                               |                |                                |                |
| 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                            | -              |
| <b>TOTAL NON CURRENT LIABILITIES</b>   |       | <b>1,079.7</b>                | <b>721.1</b>   | <b>529.3</b>                   | <b>228.0</b>   |
| <b>TOTAL LIABILITIES</b>               |       | <b>1,133.8</b>                | <b>750.1</b>   | <b>537.8</b>                   | <b>231.3</b>   |
| <b>NET ASSETS</b>                      |       | <b>1,429.3</b>                | <b>1,308.3</b> | <b>1,045.1</b>                 | <b>1,068.5</b> |
| <b>Equity</b>                          |       |                               |                |                                |                |
| 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          | -                              | -              |
| <b>TOTAL EQUITY</b>                    |       | <b>1,429.3</b>                | <b>1,308.3</b> | <b>1,045.1</b>                 | <b>1,068.5</b> |

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

# consolidated statements of changes in equity

for the year ended 30 june 2008

|                                                                          | Notes | Contributed<br>Equity<br>US\$M | Reserves<br>US\$M | Accumulated<br>Losses<br>US\$M | Minority<br>Interests<br>US\$M | Total<br>US\$M |
|--------------------------------------------------------------------------|-------|--------------------------------|-------------------|--------------------------------|--------------------------------|----------------|
| <b>CONSOLIDATED</b>                                                      |       |                                |                   |                                |                                |                |
| 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          |
| <b>At 30 June 2007</b>                                                   |       | <b>1,075.3</b>                 | <b>113.2</b>      | <b>(65.0)</b>                  | <b>184.8</b>                   | <b>1,308.3</b> |
| <b>CONSOLIDATED</b>                                                      |       |                                |                   |                                |                                |                |
| 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            |
| <b>At 30 June 2008</b>                                                   |       | <b>1,088.4</b>                 | <b>234.1</b>      | <b>(101.0)</b>                 | <b>207.8</b>                   | <b>1,429.3</b> |

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

# parent entity statements of changes in equity

for the year ended 30 june 2008

|                                                                   | Notes | Contributed<br>Equity<br>US\$M | Reserves<br>US\$M   | Accumulated<br>Losses<br>US\$M | Total<br>US\$M |
|-------------------------------------------------------------------|-------|--------------------------------|---------------------|--------------------------------|----------------|
| <b>PARENT ENTITY</b>                                              |       |                                |                     |                                |                |
| 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        |
| <b>PARENT ENTITY</b>                                              |       |                                |                     |                                |                |
| 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 <sup>(1)</sup> | -                              | 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        |

<sup>(1)</sup> 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.

# consolidated cash flow statements

for the year ended 30 june 2008

|                                                                    | Notes | Consolidated<br>2008<br>US\$M | 2007<br>US\$M  | Parent Entity<br>2008<br>US\$M | 2007<br>US\$M |
|--------------------------------------------------------------------|-------|-------------------------------|----------------|--------------------------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |       |                               |                |                                |               |
| 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                           | -              | -                              | -             |
| <b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>                  | 6(a)  | <b>(18.4)</b>                 | <b>(38.6)</b>  | <b>(18.8)</b>                  | <b>(7.1)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |       |                               |                |                                |               |
| 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)         | -                              | -             |
| <b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>                  |       | <b>(150.9)</b>                | <b>(122.0)</b> | <b>(158.8)</b>                 | <b>(90.0)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                        |       |                               |                |                                |               |
| 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         |
| <b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>                   |       | <b>324.0</b>                  | <b>298.7</b>   | <b>325.8</b>                   | <b>249.2</b>  |
| <b>NET INFLOW IN CASH AND CASH EQUIVALENTS</b>                     |       | <b>154.7</b>                  | <b>138.1</b>   | <b>148.2</b>                   | <b>152.1</b>  |
| 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           |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>    | 6     | <b>337.6</b>                  | <b>182.8</b>   | <b>317.4</b>                   | <b>169.7</b>  |

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

# notes to the consolidated financial statements

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, subject to final drafting and audit.

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 14 to 41.

## 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                 |

# notes to the consolidated financial statements

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 2007-3 | 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 no impact as it is consistent with the current consistent with the current Group policy.                                                                                                                                           | 1 July 2009                 |
| 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                 |

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 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-Putable 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 AASB 127 [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                 |

# notes to the consolidated financial statements

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                 |

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 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                 |
| 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.<br><br>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                 |

# notes to the consolidated financial statements

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* |
|-----------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 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 amendments 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                 |
| 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

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

## 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.

#### (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.

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 2. Summary of Significant Accounting Policies (continued)

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

#### (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.

### (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 LHUP, 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.

## 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
- Mount 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.

### (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.

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 2. Summary of Significant Accounting Policies (continued)

### (h) Income tax (continued)

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.

### (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.

## Note 2. Summary of Significant Accounting Policies (continued)

### (k) Impairment of assets

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

### (l) Cash and cash equivalents

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

### (m) Trade and other receivables

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

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

### (n) Inventories

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

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 2. Summary of Significant Accounting Policies (continued)

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

#### (ii) Held-to-maturity investments

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

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

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

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

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and loss which arise from changes in the fair value of non monetary securities classified as available-for-sale are recognised in 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.

## Note 2. Summary of Significant Accounting Policies (continued)

### (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.

### (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.

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 2. Summary of Significant Accounting Policies (continued)

### (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.

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

## Note 2. Summary of Significant Accounting Policies (continued)

### (u) Intangibles (continued)

#### Impairment testing

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

The rights to use water and power supply have been granted for a minimum of 17 years 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.

# notes to the consolidated financial statements

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.

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.

## Note 2. Summary of Significant Accounting Policies (continued)

### (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.

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.

# notes to the consolidated financial statements

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<br>30 June 2008                                                          | Australia<br>US\$M | Namibia<br>US\$M | Malawi<br>US\$M | Consolidated<br>US\$M |
|-------------------------------------------------------------------------------------|--------------------|------------------|-----------------|-----------------------|
| Sales to external customers                                                         | -                  | 93.8             | -               | 93.8                  |
| Other revenue                                                                       | 7.7                | 0.4              | -               | 8.1                   |
| <b>Total segment revenue</b>                                                        | <b>7.7</b>         | <b>94.2</b>      | <b>-</b>        | <b>101.9</b>          |
| (Loss)/Profit from continuing operations<br>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<br>after income tax benefit/segment result | (47.7)             | 11.0             | (0.5)           | (37.2)                |
| <b>Total assets/segment assets</b>                                                  | <b>2,232.0</b>     | <b>220.7</b>     | <b>110.4</b>    | <b>2,563.1</b>        |
| <b>Segment liabilities</b>                                                          | <b>1,106.2</b>     | <b>12.0</b>      | <b>15.6</b>     | <b>1,133.8</b>        |
| <b>Acquisitions of non current assets</b>                                           | <b>21.0</b>        | <b>14.0</b>      | <b>94.4</b>     | <b>129.4</b>          |
| <b>Cash flow information</b>                                                        |                    |                  |                 |                       |
| 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                 |
| <b>Non cash expenses:</b>                                                           |                    |                  |                 |                       |
| 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                  |

### Note 3. Segment Information (continued)

| Year Ended<br>30 June 2007                                                         | Australia<br>US\$M | Namibia<br>US\$M | Malawi<br>US\$M | Consolidated<br>US\$M |
|------------------------------------------------------------------------------------|--------------------|------------------|-----------------|-----------------------|
| Sales to external customers                                                        | -                  | 3.3              | -               | 3.3                   |
| Other revenue                                                                      | 7.8                | 0.1              | -               | 7.9                   |
| <b>Total segment revenue</b>                                                       | <b>7.8</b>         | <b>3.4</b>       | <b>-</b>        | <b>11.2</b>           |
| Loss from continuing operations<br>before income tax benefit                       | (23.7)             | (21.8)           | (4.2)           | (49.7)                |
| Income tax benefit                                                                 | 1.3                | 10.4             | -               | 11.7                  |
| <b>Loss from continuing operations after<br/>income tax benefit/segment result</b> | <b>(22.4)</b>      | <b>(11.1)</b>    | <b>(4.2)</b>    | <b>(38.0)</b>         |
| <b>Total assets/segment assets</b>                                                 | <b>1,882.3</b>     | <b>163.0</b>     | <b>13.1</b>     | <b>2,058.4</b>        |
| <b>Segment liabilities</b>                                                         | <b>732.3</b>       | <b>16.3</b>      | <b>1.5</b>      | <b>750.1</b>          |
| <b>Acquisitions of non current assets</b>                                          | <b>1,434.9</b>     | <b>64.0</b>      | <b>8.2</b>      | <b>1,507.1</b>        |
| <b>Cash flow information</b>                                                       |                    |                  |                 |                       |
| 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                 |
| <b>Non cash expenses:</b>                                                          |                    |                  |                 |                       |
| 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                   |

### Note 4. Revenues and Expenses

|                                          | Consolidated  |               | Parent Entity |               |
|------------------------------------------|---------------|---------------|---------------|---------------|
|                                          | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| (a) Revenue                              |               |               |               |               |
| Sale of uranium <sup>(1)</sup>           | 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           |
|                                          | <b>101.9</b>  | <b>11.2</b>   | <b>11.2</b>   | <b>10.8</b>   |

<sup>(1)</sup> 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.

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 4. Revenues and Expenses (continued)

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                        | Consolidated          |               | Parent Entity |               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-----------------------|---------------|---------------|---------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                        | 2008                  | 2007          | 2008          | 2007          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                        | US\$M                 | US\$M         | US\$M         | US\$M         |
| (b)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Other income</b>                                    |                       |               |               |               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Net gain on disposal of available for sale investments | -                     | 0.1           | -             | 0.1           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>Total other income</b>                              | <b>-</b>              | <b>0.1</b>    | <b>-</b>      | <b>0.1</b>    |
| (c)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Cost of sales <sup>(1)</sup></b>                    |                       |               |               |               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Cost of production                                     | (53.8) <sup>(2)</sup> | (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)         | -             | -             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>Total cost of sales</b>                             | <b>(66.4)</b>         | <b>(12.0)</b> | <b>-</b>      | <b>-</b>      |
| <p><sup>(1)</sup> 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.</p> <p><sup>(2)</sup> 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.</p> |                                                        |                       |               |               |               |
| (d)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Finance costs</b>                                   |                       |               |               |               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 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)         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>Total finance costs</b>                             | <b>(30.7)</b>         | <b>(13.0)</b> | <b>(27.1)</b> | <b>(11.1)</b> |
| (e)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Other expenses</b>                                  |                       |               |               |               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Corporate and marketing costs                          | (11.5)                | (5.6)         | (8.6)         | (4.6)         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Employee benefits expense <sup>(2)</sup>               | (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 <sup>(1)</sup>                 | (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)         | -             | -             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>Total other expenses</b>                            | <b>(35.7)</b>         | <b>(28.6)</b> | <b>(28.5)</b> | <b>(28.0)</b> |

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

Note 5. Income Tax

|     |                                                                                         | Consolidated |        | Parent Entity |        |
|-----|-----------------------------------------------------------------------------------------|--------------|--------|---------------|--------|
|     |                                                                                         | 2008         | 2007   | 2008          | 2007   |
|     |                                                                                         | US\$M        | US\$M  | US\$M         | US\$M  |
| (a) | <b>Income tax benefit</b>                                                               |              |        |               |        |
|     | <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                                     | (7.0)        | (11.7) | (2.6)         | (1.2)  |
| (b) | <b>Numerical reconciliation of income tax benefit to prima facie tax payable</b>        |              |        |               |        |
|     | Loss from continuing operations before income tax expense                               | (44.2)       | (49.7) | (44.4)        | (28.2) |
|     | 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                                                      | (0.4)        | (0.3)  | (0.4)         | (0.3)  |
|     |                                                                                         | (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                                                               | (4.5)        | -      | -             | -      |
|     | Income tax benefit reported in the Income Statement                                     | (7.0)        | (11.7) | (2.6)         | (1.2)  |

# notes to the consolidated financial statements

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    | -             | -      |

**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 LHUP 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 LHUP and the Bank Feasibility Study for the Kayelekera Uranium Project.

**(d) Tax losses**

|                                                                                  | Consolidated  |               | Parent Entity |               |
|----------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                                  | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>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.

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 6. Cash and Cash Equivalents

|                                        | Consolidated  |               | Parent Entity |               |
|----------------------------------------|---------------|---------------|---------------|---------------|
|                                        | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>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                    | 249.7         | 159.1         | 249.7         | 159.1         |
| <b>Total cash and cash equivalents</b> | <b>337.6</b>  | <b>182.8</b>  | <b>317.4</b>  | <b>169.7</b>  |

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                                               | (37.2)        | (38.0)        | (41.8)        | (27.0)       |
| <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                        | (2.6)         | (10.4)        | -             | -            |
| <b>Net cash from operating activities</b>              | <b>(18.4)</b> | <b>(38.6)</b> | <b>(18.8)</b> | <b>(7.1)</b> |

### (b) Disclosure of financing facilities

Refer to Note 19.

## Note 7. Trade and Other Receivables

|                                   | Consolidated  |               | Parent Entity |               |
|-----------------------------------|---------------|---------------|---------------|---------------|
|                                   | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| <b>Current</b>                    |               |               |               |               |
| 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<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| <b>Non Current</b>                            |               |               |               |               |
| 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.

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 8. Inventories

|                                                                    | Consolidated  |               | Parent Entity |               |
|--------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                    | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| Stores and spares (at cost)                                        | 3.9           | 1.8           | -             | -             |
| Stockpiles (at cost) <sup>(1)</sup>                                | 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<br>realisable value | 68.9          | 38.0          | -             | -             |

<sup>(1)</sup> Value now recognised for stockpile as a consequence of lower cost of production of the LHUP 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).

## Note 9. Investments Held For Trading

|                    | Consolidated  |               | Parent Entity |               |
|--------------------|---------------|---------------|---------------|---------------|
|                    | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| <b>Current</b>     |               |               |               |               |
| At fair value      |               |               |               |               |
| Options – unlisted | 1.4           | -             | -             | -             |
|                    | 1.4           | -             | -             | -             |

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.

## Note 10. Other Financial Assets

|                                           | Consolidated  |               | Parent Entity |               |
|-------------------------------------------|---------------|---------------|---------------|---------------|
|                                           | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| <b>Non Current</b>                        |               |               |               |               |
| 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<br>Incorporation<br>Investment | Percentage<br>Interest Held |           | Cost Of Parent<br>Entity's<br>Interest |               |
|--------------------------------------------------------|-------------------------------------------|-----------------------------|-----------|----------------------------------------|---------------|
|                                                        |                                           | 2008<br>%                   | 2007<br>% | 2008<br>US\$M                          | 2007<br>US\$M |
| Paladin Finance Pty Ltd <sup>(i)(ii)</sup>             | Australia                                 | 100                         | 100       | 37.2                                   | 37.2          |
| Paladin Energy Minerals NL <sup>(i)</sup>              | Australia                                 | 100                         | 100       | -                                      | -             |
| Eden Creek Pty Ltd <sup>(i)(ii)</sup>                  | Australia                                 | 100                         | 100       | 1.3                                    | 1.3           |
| Paladin (Africa) Ltd <sup>(iii)</sup>                  | Malawi                                    | 85*                         | 85*       | -                                      | -             |
| Langer Heinrich Uranium (Pty) Ltd                      | Namibia                                   | 100                         | 100       | -                                      | -             |
| Valhalla Uranium Ltd <sup>(i)(vii)</sup>               | Australia                                 | 100                         | 100       | 153.2                                  | 153.2         |
| Northern Territory Uranium Pty Ltd <sup>(ii)(iv)</sup> | Australia                                 | 100                         | 100       | -                                      | -             |
| Mount Isa Uranium Pty Ltd <sup>(ii)(iv)</sup>          | Australia                                 | 100                         | 100       | -                                      | -             |
| Paladin Nuclear Ltd <sup>(i)(viii)</sup>               | Australia                                 | 100                         | 100       | -                                      | -             |
| Summit Resources Ltd <sup>(i)(ix)</sup>                | Australia                                 | 81.9                        | 81.9      | 802.7                                  | 802.7         |
| Summit Resources (Aust) Pty Ltd <sup>(ii)(v)</sup>     | Australia                                 | 81.9                        | 81.9      | -                                      | -             |
| Pacific Mines Ltd <sup>(vi)</sup>                      | 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.

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.

<sup>(i)</sup> Held by Paladin Energy Ltd

<sup>(ii)</sup> These entities are not required to prepare or lodge audited accounts

<sup>(iii)</sup> Held by Paladin Energy Minerals NL

<sup>(iv)</sup> Held by Valhalla Uranium Ltd

<sup>(v)</sup> Held by Summit Resources Ltd

<sup>(vi)</sup> Held by Summit Resources (Aust) Pty Ltd

<sup>(vii)</sup> Acquired on 7 September 2006 with the eventual issue of 37,974,256 Paladin shares plus US\$1.7 million in transaction costs

<sup>(viii)</sup> Incorporated on 27 April 2007

<sup>(ix)</sup> 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

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 10. Other Financial Assets (continued)

### (a) Investments in material controlled entities (continued)

#### 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.

## 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.

Note 11. Investment in Associate (continued)

|       |                                                                                                    | Consolidated  |               | Parent Entity |               |
|-------|----------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|       |                                                                                                    | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| <hr/> |                                                                                                    |               |               |               |               |
| (b)   | <b>Movements in the carrying amount of the Group's investment in associate</b>                     |               |               |               |               |
|       | MM Mining Plc                                                                                      |               |               |               |               |
|       | At 1 July 2007                                                                                     | -             | -             | -             | -             |
|       | Investment in associate                                                                            | 2.8           | -             | -             | -             |
|       | Shares of losses after income tax                                                                  | (0.2)         | -             | -             | -             |
|       |                                                                                                    | <hr/>         |               |               |               |
|       | At 30 June 2008                                                                                    | 2.6           | -             | -             | -             |
|       |                                                                                                    | <hr/>         |               |               |               |
| (c)   | <b>Summarised financial information</b>                                                            |               |               |               |               |
|       | The following table illustrates summarised financial information relating to the Group's associate |               |               |               |               |
|       | <b>Extract from the associate's balance sheet:</b>                                                 |               |               |               |               |
|       | Current assets                                                                                     | 0.3           | -             | -             | -             |
|       | Non current assets                                                                                 | 10.8          | -             | -             | -             |
|       |                                                                                                    | <hr/>         |               |               |               |
|       |                                                                                                    | 11.1          | -             | -             | -             |
|       |                                                                                                    | <hr/>         |               |               |               |
|       | Current liabilities                                                                                | (3.5)         | -             | -             | -             |
|       | Non current liabilities                                                                            | -             | -             | -             | -             |
|       |                                                                                                    | <hr/>         |               |               |               |
|       |                                                                                                    | (3.5)         | -             | -             | -             |
|       |                                                                                                    | <hr/>         |               |               |               |
|       | Net assets                                                                                         | 7.6           | -             | -             | -             |
|       |                                                                                                    | <hr/>         |               |               |               |
|       | Share of associate's net assets                                                                    | 2.6           | -             | -             | -             |
|       |                                                                                                    | <hr/>         |               |               |               |
|       | <b>Extract from the associate's income statement</b>                                               |               |               |               |               |
|       | Revenue                                                                                            | -             | -             | -             | -             |
|       | Net loss                                                                                           | 0.6           | -             | -             | -             |
|       |                                                                                                    | <hr/>         |               |               |               |
|       | <b>Contingent liabilities relating to the associate</b>                                            |               |               |               |               |
|       | Share of contingent liabilities incurred jointly with other investors                              | -             | -             | -             | -             |
|       |                                                                                                    | <hr/>         |               |               |               |

Note 12. Deferred Borrowing Costs

|                    |                          | Consolidated  |               | Parent Entity |               |
|--------------------|--------------------------|---------------|---------------|---------------|---------------|
|                    |                          | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| <hr/>              |                          |               |               |               |               |
| <b>Non Current</b> |                          |               |               |               |               |
|                    | Deferred borrowing costs | 1.7           | 0.2           | -             | -             |
|                    |                          | <hr/>         |               |               |               |

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

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 13. Property, Plant and Equipment

|                                                 | Consolidated  |               | Parent Entity |               |
|-------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                 | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| Plant and equipment – at cost <sup>(1)</sup>    | 125.8         | 124.1         | 18.9          | 17.8          |
| Less provision for depreciation                 | (10.5)        | (2.4)         | (1.1)         | (0.5)         |
| Total plant and equipment                       | 115.3         | 121.7         | 17.8          | 17.3          |
| Technical database – at cost                    | 0.9           | 0.7           | -             | -             |
| Less provision for amortisation                 | (0.9)         | (0.6)         | -             | -             |
| Total technical database                        | -             | 0.1           | -             | -             |
| Land and buildings - at cost                    | 5.3           | 3.4           | -             | -             |
| Less provision for depreciation                 | (0.2)         | (0.2)         | -             | -             |
| Total land and buildings                        | 5.1           | 3.2           | -             | -             |
| Construction work in progress – at cost         | 109.1         | 8.1           | -             | -             |
| Total non current property, plant and equipment | 229.5         | 133.1         | 17.8          | 17.3          |

<sup>(1)</sup> 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 LHUP 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.

### 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<br>US\$M | Plant and<br>Equipment<br>US\$M | Databases<br>US\$M | Land and<br>Building<br>US\$M | Construction<br>Work in<br>Progress<br>US\$M |
|---------------------------------------|----------------|---------------------------------|--------------------|-------------------------------|----------------------------------------------|
| <b>Consolidated – 2008</b>            |                |                                 |                    |                               |                                              |
| 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        | 229.5          | 115.3                           | -                  | 5.1                           | 109.1                                        |
| <b>Parent Entity – 2008</b>           |                |                                 |                    |                               |                                              |
| 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        | 17.8           | 17.8                            | -                  | -                             | -                                            |

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                         |
| <b>Consolidated – 2007</b>                               |        |                     |           |                   |                               |
| 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 <sup>(1)</sup> | 4.3    | 0.1                 | -         | -                 | 4.2                           |
| Foreign currency translation reserve                     | (0.1)  | -                   | -         | -                 | (0.1)                         |
| Carrying amount at end of year                           | 133.1  | 121.7               | 0.1       | 3.2               | 8.1                           |
| <b>Parent Entity - 2007</b>                              |        |                     |           |                   |                               |
| 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                           | 17.3   | 17.3                | -         | -                 | -                             |

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

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 14. Mine Development

|                                       | Consolidated  |               | Parent Entity |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
|                                       | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>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 LHUP 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 LHUP 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 II plant upgrade with planning underway for a further Stage III 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.

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.

## 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 2,000t of uranium oxide and 1.5% for the following 2,000t of uranium oxide are also payable to AFMEX and associated companies which formerly held interests in the project. The three Mining Leases were granted on 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.

### **Bigirlyi Uranium Project (Australia) – Paladin 42.06%**

The Bigirlyi 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 Bigirlyi 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 Reserve 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 Mount 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 Skal 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.

# notes to the consolidated financial statements

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.

## 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<br>Projects <sup>(1)</sup> | Isa North<br>Project <sup>(1)</sup> | Georgina<br>Basin<br>Project <sup>(1)</sup> | Other<br>Projects Non<br>Uranium <sup>(1)</sup> | Bigirlyi<br>Project | Kayelekera<br>Project | Langer<br>Heinrich<br>Project | Other<br>Uranium<br>Projects | Total     |
|---------------------------------------------------|------------------------------------------|-------------------------------------|---------------------------------------------|-------------------------------------------------|---------------------|-----------------------|-------------------------------|------------------------------|-----------|
|                                                   | US\$M                                    | US\$M                               | US\$M                                       | US\$M                                           | US\$M               | US\$M                 | US\$M                         | US\$M                        | 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<br>payments                  | -                                        | -                                   | -                                           | -                                               | -                   | -                     | -                             | -                            | -         |
| Project exploration and<br>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<br>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<br>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<br>expensed               | (7.851)                                  | (1.355)                             | (0.463)                                     | (0.181)                                         | (2.447)             | (0.290)               | -                             | (0.517)                      | (13.104)  |
| Exploration expenditure<br>capitalised            | -                                        | -                                   | (1.185)                                     | -                                               | -                   | 1.318                 | 1.021                         | -                            | 1.154     |
| Cost of tenements sold                            | -                                        | -                                   | -                                           | (7.350)                                         | -                   | -                     | -                             | -                            | (7.350)   |
| Foreign exchange<br>differences                   | 161.914                                  | 45.420                              | 0.007                                       | 0.226                                           | 1.987               | -                     | -                             | 0.150                        | 209.704   |
| Transferred to Mine<br>Development                | -                                        | -                                   | -                                           | -                                               | -                   | (5.878)               | (1.021)                       | -                            | (6.899)   |
| Balance 30 June 2008                              | 1,389.810                                | 389.857                             | -                                           | -                                               | 17.052              | -                     | -                             | 1.279                        | 1,797.998 |

<sup>(1)</sup> 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.

# notes to the consolidated financial statements

for the year ended 30 June 2008

## 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<br>Projects <sup>(1)</sup> | Isa North<br>Project <sup>(1)</sup> | Georgina<br>Basin<br>Project <sup>(1)</sup> | Other<br>Projects Non<br>Uranium <sup>(1)</sup> | Biglryi<br>Project | Kayelekera<br>Project | Langer<br>Heinrich<br>Project | Other<br>Uranium<br>Projects | Total     |
|---------------------------------------------------|------------------------------------------|-------------------------------------|---------------------------------------------|-------------------------------------------------|--------------------|-----------------------|-------------------------------|------------------------------|-----------|
|                                                   | US\$M                                    | US\$M                               | US\$M                                       | US\$M                                           | US\$M              | US\$M                 | US\$M                         | US\$M                        | US\$M     |
| Balance 30 June 2006                              | -                                        | -                                   | -                                           | -                                               | -                  | 4.223                 | 1.149                         | 0.972                        | 6.344     |
| Acquisition property<br>payments                  | 1,216.352                                | 344.363                             | 1.178                                       | 7.122                                           | 13.908             | -                     | -                             | -                            | 1,582.923 |
| Project exploration and<br>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<br>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<br>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<br>expensed               | (0.786)                                  | (1.011)                             | 0.462                                       | (0.265)                                         | (1.368)            | (4.050)               | -                             | (0.427)                      | (7.445)   |
| Exploration expenditure<br>capitalised            | -                                        | -                                   | -                                           | -                                               | -                  | -                     | 0.351                         | -                            | 0.351     |
| Foreign exchange<br>differences                   | 11.544                                   | 0.074                               | -                                           | 0.002                                           | 1.157              | 0.337                 | 0.083                         | 0.157                        | 13.354    |
| Transferred to Property,<br>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 |

<sup>(1)</sup> 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.

## Note 16. Intangible Assets

|                                                                              | Consolidated  |               | Parent Entity |               |
|------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                              | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>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\$1.0 million (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.

## Note 17. Trade and Other Payables

|                                                                                   | Consolidated  |               | Parent Entity |               |
|-----------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                                   | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| <b>Current</b>                                                                    |               |               |               |               |
| Trade and other payables                                                          | 41.4          | 13.8          | 7.5           | 2.8           |
| Total current payables                                                            | 41.4          | 13.8          | 7.5           | 2.8           |
| Trade payables are non-interest bearing and are normally settled on 60 day terms. |               |               |               |               |
| <b>Non Current</b>                                                                |               |               |               |               |
| Unsecured loans from wholly owned Group Companies                                 | -             | -             | 1.0           | 2.7           |
| Total non current payables                                                        | -             | -             | 1.0           | 2.7           |

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.

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## Note 18. Unearned Revenue

|                    | Consolidated  |               | Parent Entity |               |
|--------------------|---------------|---------------|---------------|---------------|
|                    | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| <b>Current</b>     |               |               |               |               |
| Unearned revenue   | 0.2           | 0.2           | -             | -             |
| <b>Non current</b> |               |               |               |               |
| Unearned revenue   | 0.5           | 0.6           | -             | -             |

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.

## Note 19. Interest Bearing Loans and Borrowings

|                             | Maturity | Consolidated  |               | Parent Entity |               |
|-----------------------------|----------|---------------|---------------|---------------|---------------|
|                             |          | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| <b>Current</b>              |          |               |               |               |               |
| Secured bank loan           |          | 11.0          | 4.4           | -             | -             |
| <b>Non current</b>          |          |               |               |               |               |
| 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.

## 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 LHUP. 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<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>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         |

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for the year ended 30 June 2008

## 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 |
| <b>Current</b>                               |              |       |               |       |
| <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  | -             | -     |
| <b>Non current</b>                           |              |       |               |       |
| - 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 | -             | -     |

## Note 20. Provisions

|                              | Consolidated |       | Parent Entity |       |
|------------------------------|--------------|-------|---------------|-------|
|                              | 2008         | 2007  | 2008          | 2007  |
|                              | US\$M        | US\$M | US\$M         | US\$M |
| <b>Current</b>               |              |       |               |       |
| Rehabilitation               | -            | 2.0   | -             | -     |
| Sales contracts              | -            | 7.8   | -             | -     |
| Employee benefits (Note 27)  | 1.5          | 0.8   | 1.0           | 0.5   |
| Total current provisions     | 1.5          | 10.6  | 1.0           | 0.5   |
| <b>Non Current</b>           |              |       |               |       |
| Employee benefits (Note 27)  | 0.1          | 0.1   | 0.1           | -     |
| Rehabilitation provision     | 4.4          | -     | -             | -     |
| Mine closure                 | 3.9          | 3.0   | -             | -     |
| Total non current provisions | 8.4          | 3.1   | 0.1           | -     |

## Note 20. Provisions (continued)

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<br>US\$M | Sales<br>Contracts<br>US\$M | Mine<br>Closure<br>US\$M | Total<br>US\$M |
|----------------------------|-------------------------|-----------------------------|--------------------------|----------------|
| <b>Consolidated</b>        |                         |                             |                          |                |
| 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 | (0.2)                   | -                           | (0.4)                    | (0.6)          |
| At 30 June 2008            | 4.4                     | -                           | 3.9                      | 8.3            |
| Current 2008               | -                       | -                           | -                        | -              |
| Non current 2008           | 4.4                     | -                           | 3.9                      | 8.3            |
|                            | 4.4                     | -                           | 3.9                      | 8.3            |
| Current 2007               | 2.0                     | 7.8                         | -                        | 9.8            |
| Non current 2007           | -                       | -                           | 3.0                      | 3.0            |
|                            | 2.0                     | 7.8                         | 3.0                      | 12.8           |

### (b) Nature and timing of provisions

#### (i) Rehabilitation

A provision for rehabilitation has been recorded in relation to the LHUP. 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.

#### (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)<sup>(1)</sup>).

#### (iii) Mine closure

A provision for mine closure has been recorded in relation to the LHUP 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.

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 21. Contributed Equity and Reserves

### (a) Issued and paid up capital

|                        | Number of Shares |             | Consolidated/<br>Parent Entity |               |
|------------------------|------------------|-------------|--------------------------------|---------------|
|                        | 2008             | 2007        | 2008<br>US\$M                  | 2007<br>US\$M |
| <b>Ordinary shares</b> |                  |             |                                |               |
| 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<br>Shares | Issue<br>Price<br>A\$ | Exchange<br>Rate<br>US\$ : A\$ | Total<br>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<br>Transition adjustment <sup>(1)</sup> |                     |                       |                                | 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)          |
|                | <b>Balance 30 June 2007</b>                                 | <b>602,437,369</b>  |                       |                                | <b>1,075.3</b> |

<sup>(1)</sup> 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).

Note 21. Contributed Equity and Reserves (continued)

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

| Date           |                        | Number of<br>Shares | Issue<br>Price<br>A\$ | Exchange<br>Rate<br>US\$ : A\$ | Total<br>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<br>2008 | 2007        |
|-----|-------------------------------------------------------------------------------------|---------------------------|-------------|
| (i) | Exercisable at A\$1.00, on or before 30 November 2007<br>(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 LHUP 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.

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.

# notes to the consolidated financial statements

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## Note 21. Contributed Equity and Reserves (continued)

### (c) Issued options (continued)

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<br>(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 LHUP 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<br>(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 LHUP 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.

|                                                                                  | Number of Options |          |
|----------------------------------------------------------------------------------|-------------------|----------|
|                                                                                  | 2008              | 2007     |
| (iv) Exercisable at A\$1.50, on or before 15 July 2008<br>(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  |

## Note 21. Contributed Equity and Reserves (continued)

### (c) Issued options (continued)

Vest on positive outcome for LHUP 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<br>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.

|        |                                                                                                                                                    | Number of Options<br>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 |

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 21. Contributed Equity and Reserves (continued)

### (c) Issued options (continued)

|        |                                                                                                             | Number of Options<br>2008 | 2007    |
|--------|-------------------------------------------------------------------------------------------------------------|---------------------------|---------|
| (ix)   | Exercisable at A\$8.77 on or before 29 June 2012 (granted 29 June 2007)<br>(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)<br>(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                 | -       |
| (xi)   | Exercisable at A\$5.37 on or before 15 Feb 2011 (granted 15 Feb 2008)<br>(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)<br>(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)<br>(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)<br>(450,000 vest 18 June 2011)      |                           |         |
|        | Balance at 1 July                                                                                           | -                         | -       |
|        | Granted during year                                                                                         | 450,000                   | -       |
|        | Balance at 30 June                                                                                          | 450,000                   | -       |

Note 21. Contributed Equity and Reserves (continued)

(d) Reserves

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

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 21. Contributed Equity and Reserves (continued)

### (d) Reserves (continued)

|                                                               | Listed<br>option<br>application<br>reserve<br>US\$M | Share<br>based<br>payments<br>reserve<br>US\$M | Available<br>for sale<br>reserve<br>US\$M | Convertible<br>bond non-<br>distributable<br>reserve<br>US\$M | Foreign<br>currency<br>translation<br>reserve<br>US\$M | Total<br>US\$M |
|---------------------------------------------------------------|-----------------------------------------------------|------------------------------------------------|-------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------|----------------|
| <b>PARENT</b>                                                 |                                                     |                                                |                                           |                                                               |                                                        |                |
| At 1 July 2006                                                | 0.1                                                 | 5.0                                            | -                                         | -                                                             | (3.1)                                                  | 2.0            |
| Functional currency transition<br>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<br>-for-sale investments | -                                                   | -                                              | 18.6                                      | -                                                             | -                                                      | 18.6           |
| Share based payments                                          | -                                                   | 4.4                                            | -                                         | -                                                             | -                                                      | 4.4            |
| <b>At 30 June 2007</b>                                        | <b>0.1</b>                                          | <b>9.7</b>                                     | <b>14.7</b>                               | <b>26.5</b>                                                   | <b>-</b>                                               | <b>51.0</b>    |
| 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<br>-for-sale investments | -                                                   | -                                              | (28.4)                                    | -                                                             | -                                                      | (28.4)         |
| Share based payments                                          | -                                                   | 8.1                                            | -                                         | -                                                             | -                                                      | 8.1            |
| <b>At 30 June 2008</b>                                        | <b>0.1</b>                                          | <b>17.8</b>                                    | <b>(0.5)</b>                              | <b>38.9</b>                                                   | <b>-</b>                                               | <b>56.3</b>    |

#### 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.

## Note 22. Minority Interests

|                              | Consolidated |       | Parent Entity |       |
|------------------------------|--------------|-------|---------------|-------|
|                              | 2008         | 2007  | 2008          | 2007  |
|                              | US\$M        | US\$M | US\$M         | 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     | 207.8        | 184.8 | -             | -     |

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.

## 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.

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 23. Financial Instruments (continued)

### (b) Market risk (continued)

#### (i) Foreign exchange risk (continued)

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 |
| <b>Financial assets</b>      |              |       |               |       |
| 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  |
|                              | 53.6         | 74.5  | 36.9          | 37.3  |
| <b>Financial liabilities</b> |              |       |               |       |
| Trade and other payables     | 6.8          | 6.1   | 3.2           | 2.9   |
|                              | 6.8          | 6.1   | 3.2           | 2.9   |

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

|                              |     |     |   |   |
|------------------------------|-----|-----|---|---|
| <b>Financial assets</b>      |     |     |   |   |
| Cash and cash equivalents    | 3.2 | 2.4 | - | - |
| Trade and other receivables  | 6.2 | 4.3 | - | - |
| Financial and other assets   | -   | -   | - | - |
|                              | 9.4 | 6.7 | - | - |
| <b>Financial liabilities</b> |     |     |   |   |
| Trade and other payables     | 8.5 | 5.7 | - | - |
|                              | 8.5 | 5.7 | - | - |

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 |
| <b>Post – Tax gain/(loss)</b> |                  |       |               |       |                  |       |               |       |
| USD/AUD +5%                   | (0.8)            | (1.1) | (1.1)         | (1.1) | (0.7)            | (1.1) | -             | -     |
| USD/AUD -5%                   | 0.9              | 1.2   | 1.2           | 1.3   | 0.8              | 1.3   | -             | -     |
| <b>Post – Tax gain/(loss)</b> |                  |       |               |       |                  |       |               |       |
| USD/NAD +5%                   | -                | -     | -             | -     | -                | -     | -             | -     |
| USD/NAD -5%                   | -                | -     | -             | -     | -                | -     | -             | -     |

## 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         | 2007  | 2008          | 2007  |
|                               | US\$M        | US\$M | US\$M         | US\$M |
| <b>Financial assets</b>       |              |       |               |       |
| Cash and cash equivalents     | 337.5        | 182.8 | 317.4         | 169.7 |
| Trade and other receivables   | -            | -     | 106.1         | 47.2  |
|                               | 337.5        | 182.8 | 423.5         | 216.9 |
| <b>Financial liabilities</b>  |              |       |               |       |
| Interest- bearing liabilities | 66.3         | 66.6  | -             | -     |
|                               | 66.3         | 66.6  | -             | -     |

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             | 2007  | 2008          | 2007  |
|                             | US\$M            | US\$M | US\$M         | US\$M |
| <b>Post-Tax Gain/(Loss)</b> |                  |       |               |       |
| LIBOR +1%                   | 1.8              | 0.8   | 3.0           | 1.5   |
| LIBOR -1%                   | (1.8)            | (0.8) | (3.0)         | (1.5) |

# notes to the consolidated financial statements

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         | 2007  | 2008          | 2007  |
|                         | US\$M        | US\$M | US\$M         | US\$M |
| <b>Financial assets</b> |              |       |               |       |
| 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.

|                             | Consolidated |       | Parent Entity |       |
|-----------------------------|--------------|-------|---------------|-------|
|                             | 2008         | 2007  | 2008          | 2007  |
|                             | US\$M        | US\$M | US\$M         | US\$M |
| <b>Post-Tax Gain/(Loss)</b> |              |       |               |       |
| 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.

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

|                          | Payables ageing analysis |             |             |              |          |
|--------------------------|--------------------------|-------------|-------------|--------------|----------|
| 2008                     | Total                    | 6 mths      | 6-12 mths   | 1-5 years    | >5 year  |
|                          | US\$M                    | US\$M       | US\$M       | US\$M        | US\$M    |
| <b>CONSOLIDATED</b>      |                          |             |             |              |          |
| 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        | -        |
| <b>Total payables</b>    | <b>828.0</b>             | <b>63.3</b> | <b>22.7</b> | <b>742.0</b> | <b>-</b> |
| <b>PARENT ENTITY</b>     |                          |             |             |              |          |
| 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        | -        |
| <b>Total payables</b>    | <b>713.9</b>             | <b>21.2</b> | <b>13.7</b> | <b>679.0</b> | <b>-</b> |

## Note 23. Financial Instruments (continued)

### (c) Liquidity risk (continued)

| 2007                     | Total<br>US\$M | Payables ageing analysis |                    |                    |                  |
|--------------------------|----------------|--------------------------|--------------------|--------------------|------------------|
|                          |                | 6 mths<br>US\$M          | 6-12 mths<br>US\$M | 1-5 years<br>US\$M | >5 year<br>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              |                  |

### (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<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| <b>Current</b>                          |               |               |               |               |
| Trade receivables                       | 28.7          | 3.3           | -             | -             |
| Other receivables – controlled entities | -             | -             | -             | -             |
| Other receivables – other entities      | 5.2           | 2.4           | 9.0           | 1.9           |
|                                         | <b>33.9</b>   | <b>5.7</b>    | <b>9.0</b>    | <b>1.9</b>    |
| <b>Non Current</b>                      |               |               |               |               |
| Unsecured loans to wholly owned group   | -             | -             | -             | -             |
|                                         | <b>33.9</b>   | <b>5.7</b>    | <b>9.0</b>    | <b>1.9</b>    |

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 23. Financial Instruments (continued)

### (d) Credit risk (continued)

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

|                                       |                | Receivables ageing analysis |                    |                    |                  |
|---------------------------------------|----------------|-----------------------------|--------------------|--------------------|------------------|
| 2008                                  | Total<br>US\$M | 6 mths<br>US\$M             | 6-12 mths<br>US\$M | 1-5 years<br>US\$M | >5 year<br>US\$M |
| CONSOLIDATED                          |                |                             |                    |                    |                  |
| Trade receivables                     | 28.7           | 28.7                        | -                  | -                  | -                |
| Other receivables                     | 5.2            | 5.2                         | -                  | -                  | -                |
| Total receivables                     | 33.9           | 33.9                        | -                  | -                  | -                |
| PARENT ENTITY                         |                |                             |                    |                    |                  |
| Other receivables                     | 9.0            | 9.0                         | -                  | -                  | -                |
| Unsecured loans to wholly owned group | -              | -                           | -                  | -                  | -                |
| Total receivables                     | 9.0            | 9.0                         | -                  | -                  | -                |
| 2007                                  |                |                             |                    |                    |                  |
| CONSOLIDATED                          |                |                             |                    |                    |                  |
| Trade receivables                     | 3.3            | 3.3                         | -                  | -                  | -                |
| Other receivables                     | 2.4            | 2.4                         | -                  | -                  | -                |
| Total receivables                     | 5.7            | 5.7                         | -                  | -                  | -                |
| PARENT ENTITY                         |                |                             |                    |                    |                  |
| Other receivables                     | 1.9            | 1.9                         | -                  | -                  | -                |
| Unsecured loans to wholly owned group | -              | -                           | -                  | -                  | -                |
| Total receivables                     | 1.9            | 1.9                         | -                  | -                  | -                |

### (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 LHUP. 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.

## Note 23. Financial Instruments (continued)

### (e) Financing facilities (continued)

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).

#### Financing facilities available

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

|                                                                                           | Consolidated  |               | Parent Entity |               |
|-------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                                           | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>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: |               |               |               |               |
| Due:                                                                                      |               |               |               |               |
| No later than one year                                                                    | 12.2          | 5.6           | -             | -             |
| Later than one year but not later than two years                                          | 14.2          | 12.2          | -             | -             |
| 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                                                                     | -             | 3.2           | -             | -             |
| Total                                                                                     | 641.3         | 316.6         | 575.0         | 250.0         |

# notes to the consolidated financial statements

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<br>US\$M      |               | 2007<br>US\$M      |               |
|------------------------------|--------------------|---------------|--------------------|---------------|
|                              | Carrying<br>amount | Fair<br>value | Carrying<br>amount | Fair<br>value |
| Convertible bonds            | 532.1              | 637.9         | 216.3              | 304.9         |

### (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 7.7Mlb 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 is 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.

## 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                                                       |
| Mr Simon Solomons  | Executive General Manager – Operations Development<br>(Appointed 12 <sup>th</sup> 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<br>US\$'000 | 2007<br>US\$'000 | 2008<br>US\$'000 | 2007<br>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            |
|                     | 13,231           | 12,744           | 12,301           | 11,565           |

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 24. Key Management Personnel

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

| 30 June 2008       | Balance at beginning of period 01 Jul 07 | Granted as Remuneration | Options Exercised  | Net Change Other # | Balance at end of period 30 Jun 08 | Vested/ Exercisable | Not vested/ Not Exercisable |
|--------------------|------------------------------------------|-------------------------|--------------------|--------------------|------------------------------------|---------------------|-----------------------------|
| <b>Directors</b>   |                                          |                         |                    |                    |                                    |                     |                             |
| 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                   |
| <b>Executives</b>  |                                          |                         |                    |                    |                                    |                     |                             |
| 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                            | 600,000             | 344,769                     |
| 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                     |
| <b>Total</b>       | <b>16,270,670</b>                        | <b>4,550,115</b>        | <b>(9,950,000)</b> | <b>672,050</b>     | <b>11,542,835</b>                  | <b>3,144,769</b>    | <b>8,398,066</b>            |

# Relates to holdings prior to appointment as a Key Management Personnel

| 30 June 2007       | Balance at beginning of period 01 Jul 06 | Granted as Remuneration | Options Exercised  | Net Change Other | Balance at end of period 30 Jun 07 | Vested/ Exercisable | Not vested/ Not Exercisable |
|--------------------|------------------------------------------|-------------------------|--------------------|------------------|------------------------------------|---------------------|-----------------------------|
| <b>Directors</b>   |                                          |                         |                    |                  |                                    |                     |                             |
| 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                   |
| <b>Executives</b>  |                                          |                         |                    |                  |                                    |                     |                             |
| 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                   |
| <b>Total</b>       | <b>17,750,000</b>                        | <b>3,070,670</b>        | <b>(4,550,000)</b> | <b>-</b>         | <b>16,270,670</b>                  | <b>10,250,000</b>   | <b>6,020,670</b>            |

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<br>01 Jul 07 | Granted as<br>Remuneration | On Exercise<br>of Options | Net Change<br>Other        | Balance<br>30 June 08 |
|--------------------|----------------------|----------------------------|---------------------------|----------------------------|-----------------------|
| <b>Directors</b>   |                      |                            |                           |                            |                       |
| Mr Rick Crabb      | 8,964,746            | -                          | 3,250,000                 | (6,633,218) <sup>(1)</sup> | 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                |
| <b>Executives</b>  |                      |                            |                           |                            |                       |
| Ms Gillian Swaby   | 10,216,140           | -                          | 2,750,000                 | (7,875,000) <sup>(1)</sup> | 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               |
| <b>Total</b>       | <b>38,022,330</b>    | <b>-</b>                   | <b>9,950,000</b>          | <b>(14,258,168)</b>        | <b>33,714,162</b>     |

<sup>(1)</sup> Between 11 and 14 April 2008, a secured creditor of Lift Capital Pty Limited in the exercise of (purported) rights, sold 6,383,218 and 7,875,000 ordinary shares on behalf of Mr Rick Crabb and his associates and Ms Gillian Swaby respectively. No consideration was received by Mr Rick Crabb or his associates or Ms Swaby from this involuntary sale. Legal action for the recovery of these shares which were sold without their consent or authority is being pursued.

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<br>01 Jul 06 | Granted as<br>Remuneration | On Exercise<br>of Options | Net Change<br>Other | Balance<br>30 June 07 |
|--------------------|----------------------|----------------------------|---------------------------|---------------------|-----------------------|
| <b>Directors</b>   |                      |                            |                           |                     |                       |
| 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                |
| <b>Executives</b>  |                      |                            |                           |                     |                       |
| 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                 |
| <b>Total</b>       | <b>37,438,280</b>    | <b>-</b>                   | <b>4,550,000</b>          | <b>(3,965,950)</b>  | <b>38,022,330</b>     |

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.

# notes to the consolidated financial statements

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

## Note 25. Auditors' Remuneration

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

|                                                                                                          | Consolidated    |                 | Parent Entity   |                 |
|----------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                                                          | 2008<br>US\$000 | 2007<br>US\$000 | 2008<br>US\$000 | 2007<br>US\$000 |
| <b>Amounts received or due and receivable by Ernst &amp; Young (Australia) for:</b>                      |                 |                 |                 |                 |
| • 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             |
| <b>Amounts received or due and receivable by related practices of Ernst &amp; Young (Australia) for:</b> |                 |                 |                 |                 |
| • 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               | -               | -               |
|                                                                                                          | 836             | 508             | 729             | 428             |
| <b>Amounts received or due and receivable by non Ernst &amp; Young audit firms for:</b>                  |                 |                 |                 |                 |
| • Audit or review of the financial report of subsidiaries                                                | -               | 17              | -               | -               |
| • Taxation services:                                                                                     |                 |                 |                 |                 |
| Tax compliance services                                                                                  | 17              | 1               | -               | -               |
| • Other Non- Audit Services                                                                              | 52              | -               | -               | -               |
|                                                                                                          | 69              | 18              | -               | -               |

## 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<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>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<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>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 II at the LHUP (2007: Malawi).

### (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<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>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           |

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 26. Commitments and Contingencies (continued)

### (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) Mount Isa Uranium Joint Venture

On the 3 August 2007 the Company's wholly owned subsidiary, 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 Mount 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 Mount Isa Uranium Project joint venture for 85% of its market value.

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

## Note 27. Employee Benefits

|                                                                                            | Consolidated |       | Parent Entity |               |
|--------------------------------------------------------------------------------------------|--------------|-------|---------------|---------------|
|                                                                                            | 2008         | 2007  | 2008          | 2007          |
|                                                                                            | US\$M        | US\$M | US\$M         | US\$M         |
| Provision for annual leave and long service leave aggregate employment benefit liabilities | 1.6          | 0.9   | 1.1           | 0.5           |
| <b>Employee numbers</b>                                                                    |              |       | <b>Number</b> | <b>Number</b> |
| 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.

## 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)).

## 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 ESOP detailed below, no further options will be issued pursuant to the ESOP.

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 29. Share-Based Payment Plan (continued)

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

#### 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 75<sup>th</sup> percentile, 100% of the share options will vest;
- for rankings above the 50<sup>th</sup> and below the 75<sup>th</sup> percentile, the percentage of options to vest will be pro-rata between 50% and 100%;
- when Paladin Energy Ltd is ranked at the 50<sup>th</sup> percentile, 50% of the share options will vest;
- when Paladin Energy Ltd is ranked below the 50<sup>th</sup> 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.

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<br>No.  | 2008<br>WAEP<br>A\$ | 2007<br>No. | 2007<br>WAEP<br>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) | <sup>1</sup> 1.06   | (9,070,000) | <sup>2</sup> 1.04   |
| Expired during the year                  | -            | -                   | -           | -                   |
| Outstanding at the end of the year       | 19,077,072   | 5.12                | 19,678,670  | 3.18                |
| 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

Note 29. Share-Based Payment Plan (continued)

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

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             |
| <b>Total</b>         |                  |                  |                           | <b>19,077,072</b>   |

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

(c) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 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.

# notes to the consolidated financial statements

for the year ended 30 June 2008

## Note 29. Share-Based Payment Plan (continued)

### (f) Option pricing model: ESOP and EXSOP (continued)

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.

## 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 Skall 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. MIU holds the other 50% interest. Paladin Energy Ltd ultimately owns 81.9% of SRA and 100% of MIU.

#### Bigirlyi Uranium Joint Venture

The Bigirlyi 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 Joint Venture and Bigirlyi Uranium Joint Venture

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    |
| <b>Non current assets</b>              |              |              |               |          |
| Exploration and evaluation expenditure | 185.5        | 164.0        | -             | -        |
| <b>Total assets</b>                    | <b>185.5</b> | <b>164.0</b> | <b>-</b>      | <b>-</b> |

## Note 30. Interests In Jointly Controlled Assets (continued)

### (b) Assets utilised in the Mount Isa Joint Venture and Bigryli Uranium Joint Venture (continued)

The interests of MIU in the Mount Isa Uranium Joint Venture and of NTU in the Bigryli 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

|                                         | Consolidated  |               | Parent Entity |               |
|-----------------------------------------|---------------|---------------|---------------|---------------|
|                                         | 2008<br>US\$M | 2007<br>US\$M | 2008<br>US\$M | 2007<br>US\$M |
| Share of tenement commitments (Note 26) | -             | -             | -             | -             |

### (d) Impairment

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

## 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<br>Recognised on Acquisition<br>US\$M | Final Values<br>Recognised on Acquisition<br>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                                                      |                                                    |
| <b>Total cost of the combination</b>               | <b>817.6</b>                                             |                                                    |

# notes to the consolidated financial statements

for the year ended 30 June 2008

## 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 2008 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. On 10 September the Company announced the allotment of 100,000 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.

### Resources Upgrade for Langer Heinrich Uranium Project

On the 28 August 2008, the Company announced an updated Mineral Resource estimate for the LHUP. Following the drilling of 717 RC holes for a total of 17,751m in all Details at Langer Heinrich, a new Mineral Resource of 56.4Mt at a grade of 0.06% U<sub>3</sub>O<sub>8</sub> for 32,858t (72.4Mlb) U<sub>3</sub>O<sub>8</sub> in the Measured and Indicated categories and 70.7Mt at a grade of 0.06% U<sub>3</sub>O<sub>8</sub> for 41,557t (91.6Mlb) U<sub>3</sub>O<sub>8</sub> in the Inferred category was estimated. The total resource for Langer Heinrich now stands at some 74,415t (164Mlb) U<sub>3</sub>O<sub>8</sub>. The Directors believe a considerable amount of these Inferred Resources will be able to be converted to Measured and Indicated Resource categories following additional drilling in the future. Ore Reserve studies are currently underway and are expected to be completed in the near future.

### Increased Holding in Summit Resources Ltd

On 28 August 2008, the company acquired an additional 3,378,733 shares in Summit Resources Ltd pursuant to a renounceable rights issue and 289,739 shares via subscription for the shortfall of the rights issue. The additional investment totalled A\$9.1 million (US\$8.6 million). After these acquisitions the Company now holds 81.99% of Summit Resources Ltd.

### Note 33. Non-Cash Financing and Investment Activities

|                                                         | Consolidated |       | Parent Entity |       |
|---------------------------------------------------------|--------------|-------|---------------|-------|
|                                                         | 2008         | 2007  | 2008          | 2007  |
|                                                         | US\$M        | US\$M | US\$M         | US\$M |
| <b>Non-Cash Financing and Investment Activities</b>     |              |       |               |       |
| 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 |

### 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:

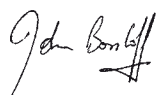
|                                                                                                                                                                       | Consolidated |             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------|
|                                                                                                                                                                       | 2008         | 2007        |
|                                                                                                                                                                       | US\$M        | 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  |

# directors' declaration

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

1. In the opinion of the Directors:
  - (a) the financial report and the additional disclosures included in the Directors' Report designated as audited, of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporation Regulations 2001;and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections 295A of the Corporations Act 2001 for financial period ending 30 June 2008.

On behalf of the Board



Mr John Borshoff  
Managing Director

Perth, Western Australia  
11 September 2008

# independent auditor's report

to the members of Paladin Energy Ltd

## Report on the Financial Report

We have audited the accompanying financial report of Paladin Energy Ltd, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

## Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## Auditor's Opinion

In our opinion:

1. the financial report of Paladin Energy Ltd is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Paladin Energy Ltd and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

# independent auditor's report

to the members of Paladin Energy Ltd

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 60 to 69 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion the Remuneration Report of Paladin Energy Ltd for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

V W Tidy  
Partner

Perth  
11 September 2008

# additional information

Pursuant to the Listing Requirements of Australian Securities Exchange Limited as at 11 September 2008:

(a) Distribution and number of holders

| Range   |   |         | Total Holders |
|---------|---|---------|---------------|
| 1       | - | 1,000   | 10,001        |
| 1,001   | - | 5,000   | 9,298         |
| 5,001   | - | 10,000  | 1,984         |
| 10,001  | - | 100,000 | 1,469         |
| 100,001 | - | maximum | 178           |
|         |   |         | 22,930        |

296 shareholders hold less than a marketable parcel of shares issued

(b) The twenty largest shareholders hold 78.04% of the total shares issued.

| Holder                                             | No. of Shares | %     |
|----------------------------------------------------|---------------|-------|
| CDS & Co                                           | 141,456,542   | 23.04 |
| HSBC Custody Nominees (Australia) Limited          | 94,965,330    | 15.47 |
| National Nominees Limited                          | 48,050,222    | 7.83  |
| Cede & Co                                          | 36,431,615    | 5.93  |
| Citicorp Nominees Pty Limited                      | 32,982,925    | 5.37  |
| ANZ Nominees Limited                               | 28,783,310    | 4.69  |
| J P Morgan Nominees Australia Limited              | 24,298,055    | 3.96  |
| Aylworth Holdings Pty Ltd                          | 19,486,237    | 3.17  |
| UBS Wealth Management Australia Nominee Pty Ltd    | 18,814,268    | 3.06  |
| HSBC Custody Nominees (Australia) Limited-GSE ECSA | 5,111,690     | 0.83  |
| Ms Gillian Swaby                                   | 4,000,000     | 0.65  |
| HSBC Custody Nominees (Australia) Limited – A/C 3  | 3,887,093     | 0.63  |
| Citicorp Nominees Pty Limited                      | 3,597,356     | 0.59  |
| HSBC Custody Nominees (Australia) Limited – A/C 2  | 3,372,269     | 0.55  |
| Merrill Lynch (Australia) Nominees Pty Limited     | 2,788,159     | 0.45  |
| Estate Mr James U Blanchard Iii                    | 2,777,778     | 0.45  |
| Mrs Deborah Lakshmi Halliday                       | 2,500,000     | 0.41  |
| Cogent Nominees Pty Limited                        | 2,335,100     | 0.38  |
| Mr John Borshoff                                   | 1,725,157     | 0.28  |
| Mr Zaccaria Rossi & Mrs Thelma Rossi               | 1,701,000     | 0.28  |
|                                                    | 479,064,106   | 78.04 |

(c) Voting rights

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

# additional information

(d) Tenements held

## URANIUM PROJECTS

| Project                 | Tenements   | Interest % | JV Partner/s                          | Operator | Note |
|-------------------------|-------------|------------|---------------------------------------|----------|------|
| NAMIBIA – AFRICA        |             |            |                                       |          |      |
| Langer Heinrich         | 1 MLI       | 100.00%    | -                                     | LHU      |      |
| Gawib                   | 1 EPL       | 100.00%    | -                                     | LHU      |      |
| MALAWI – AFRICA         |             |            |                                       |          |      |
| Kayelekera              | 1 MLI       | 85.00%     | -                                     | PAL      | 1    |
| Chilumba                | 1 EPL       | 85.00%     | -                                     | PAL      | 1    |
| Chilongo                | 1 EPL       | 85.00%     | -                                     | PAL      | 1    |
| Mpata                   | 1 EPL       | 85.00%     | -                                     | PAL      | 1    |
| Mapambo                 | 1 EPL       | 85.00%     | -                                     | PAL      | 1    |
| QUEENSLAND (See Note 2) |             |            |                                       |          |      |
| Isa North               | 11 EPMs     | 81.99%     | (see Note 3)                          | SRA      | 3    |
|                         | 3 EPMs (A)  | 81.90%     | -                                     | SRA      |      |
|                         | 3 MDLs (A)  | 81.99%     | (see Note 3)                          | SRA      | 3    |
| NORTHERN TERRITORY      |             |            |                                       |          |      |
| Bigriyi                 | 10 ERLs     | 42.06%     | ) Energy Metals Limited               | EME      |      |
|                         | 20 MCs (A)  | 42.06%     | )- Southern Cross Exploration NL      | EME      |      |
|                         | 2 MLs (A)   | 42.06%     | )                                     | EME      |      |
| Walbiri                 | 1 ERL (A)   | 58.13%     | Energy Metals Limited                 | EME      |      |
| Malawiri                | 1 ERL (A)   | 47.96%     | Energy Metals Limited                 | EME      |      |
| Minerva                 | 12 ERLs (A) | 100.00%    |                                       | NTU      |      |
| Beatrice South          | 1 EL (A)    | 33.33%     | Afmeco Mining and Exploration Pty Ltd | Afmeco   |      |
| Mount Gilruth           | 1 EL (A)    | 33.33%     | Afmeco Mining and Exploration Pty Ltd | Afmeco   |      |
| Angela and Pamela       | 1 EL (A)    | 50.00%     | Cameco Australia Pty Ltd              | Cameco   |      |
|                         | 1 EL (A)    | 50.00%     | Cameco Australia Pty Ltd              | Cameco   |      |
| WESTERN AUSTRALIA       |             |            |                                       |          |      |
| Manyingee               | 3 MLs       | 100.00%    | -                                     | PEM      |      |
| Spinifex Well           | 1 EL        | 100.00%    | -                                     | PEM      |      |
| Oobagooma               | 4 ELs (A)   | 100.00%    | -                                     | PEM      |      |
| Ponton                  | 1 EL (A)    | 100.00%    | -                                     | PEM      |      |
| SOUTH AUSTRALIA         |             |            |                                       |          |      |
| Petermorra              | 1 EL        | 20.00%     | Quasar Resources Pty Ltd              | Quasar   |      |
| Mt Yerila               | 1 EL        | 15.00%     | Quasar Resources Pty Ltd              | Quasar   |      |
|                         |             |            | J E Risinger                          |          |      |

(d) Tenements held (continued)

#### NON-URANIUM PROJECTS

| Project                   | Tenements  | Interest % | JV Partner/s                              | Operator | Note |
|---------------------------|------------|------------|-------------------------------------------|----------|------|
| QUEENSLAND (See Note 2)   |            |            |                                           |          |      |
| Western Isa Joint Venture |            |            |                                           |          | 4    |
| Isa South                 | 4 EPMs     | 81.99%     | MM Mining Pty Ltd                         | MMM      |      |
|                           | 4 EPMs (A) | 81.99%     | MM Mining Pty Ltd                         | MMM      |      |
|                           | 1 EPM      | 73.71%     | MM Mining Pty Ltd                         | MMM      |      |
|                           |            |            | Glengarry Resources Limited               |          |      |
| May Downs                 | 3 EPMs     | 81.99%     | MM Mining Pty Ltd                         | MMM      |      |
| Mount Kelly               | 1 EPM      | 81.99%     | MM Mining Pty Ltd                         | MMM      |      |
| Constance Range           | 5 EPMs     | 81.99%     | MM Mining Pty Ltd                         | MMM      |      |
|                           | 1 EPM      | 0.00%      | MM Mining Pty Ltd                         | MMM      | 5    |
|                           |            |            | Bowthorn Syndicate                        | MMM      |      |
|                           | 1 EPM (A)  | 0.00%      | MM Mining Pty Ltd                         | MMM      | 5    |
|                           |            |            | Bowthorn Syndicate                        | MMM      |      |
| SOUTH AUSTRALIA           |            |            |                                           |          |      |
| Reaphook JV               | 1 EL       | 7.50%      | Perilya Limited<br>Signature Resources NL | Perilya  |      |

| Operators |                                       | Paladin Equity | Note |
|-----------|---------------------------------------|----------------|------|
| EME       | Energy Metals Limited                 | 0%             |      |
| LHU       | Langer Heinrich Uranium (Pty) Limited | 100%           |      |
| MIU       | Mount Isa Uranium Pty Ltd             | 100%           |      |
| MMM       | MM Mining Pty Ltd                     | 31.25%         | 4    |
| NTU       | Northern Territory Uranium Pty Ltd    | 100%           |      |
| PAL       | Paladin (Africa) Limited              | 85%            | 1    |
| PEM       | Paladin Energy Minerals NL            | 100%           |      |
| SRA       | Summit Resources (Aust) Pty Ltd       | 81.99%         | 2    |

#### Notes

- Paladin Energy Ltd currently holds 100% equity in Paladin (Africa) Limited; however 15% equity in that company is to be transferred to the Government of Malawi pursuant to the terms of the Development Agreement for the Kayelekera Uranium Project between the Government of Malawi, Paladin (Africa) Limited and Paladin Energy Minerals NL.
- Paladin's interest in these tenements is held by virtue of Paladin Energy Ltd's 81.99% equity holding in Summit Resources Limited which in turn holds 100% equity interest in Summit Resources (Aust) Pty Ltd and Pacific Mines Limited.
- The Vallhalla and Skal uranium deposits lie within the Isa North tenement block within defined blocks of land (17 km<sup>2</sup> and 10 km<sup>2</sup> respectively) subject to the Isa Uranium Joint Venture between Summit Resources (Aust) Pty Ltd (50% and Operator) and Mount Isa Uranium Pty Ltd (50%). Paladin's interest is an effective 91% deriving from the 50% interest in the Mount Isa Uranium Joint Venture and 41% via Paladin's 81.99% ownership of Summit Resources Ltd.
- MM Mining Pty Ltd can earn 80% equity in the Western Isa Joint Venture tenements through expenditure of A\$10 million within two years of commencement (10 December 2007). Summit Resources Limited holds 20 million fully paid shares or 31.25% of the issued capital in MM Mining Plc, the UK registered parent of MM Mining Pty Ltd.
- Pacific Mines Limited can earn 70% equity in the two Constance Range tenements held by the Bowthorn Syndicate through expenditure of A\$620,000 over 5 years.

#### Tenement Types

|     |                                             |     |                           |
|-----|---------------------------------------------|-----|---------------------------|
| EL  | Exploration Licence (Australia)             | MC  | Mineral Claim (Australia) |
| EPL | Exclusive Prospecting Licence (Africa)      | ML  | Mining Lease (Australia)  |
| EPM | Exploration Permit for Minerals (Australia) | MLI | Mining Licence (Africa)   |
| ERL | Exploration Retention Licence (Australia)   | (A) | Pending Application       |



## Langer Heinrich in production and expansion



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