PALADIN ENERGY LTD

ACN 061 681 098

Ref: 188691

12 November 2010

By Electronic Lodgement

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

Dear Sir/Madam

September 2010 Quarterly Financial Report and MD&A

Attached please find Quarterly Financial Report for the three months ended 30 September 2010 including Report to Shareholders, Management Discussion and Analysis, Interim Financial Statements and Certifications as required in accordance with Canadian reporting requirements.

Yours faithfully
Paladin Energy Ltd

GILLIAN SWABY
Company Secretary

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PALADIN ENERGY LTD
ACN 061 681 098

NEWS RELEASE **For Immediate Distribution**

Financial Report For The Three Months Ending 30 September 2010

Perth, Western Australia – 12 November 2010: Paladin Energy Ltd ("Paladin" or "the Company") **(TSX:PDN / ASX:PDN)** announces the release of its Financial Report for the three months ending 30 September 2010. The Financial Report is appended to this News Release.

Results

References to 2010 and 2009 refer to the equivalent three months ended 30 September 2010 and 2009 respectively.

- Total U_3O_8 production of 1,363,000lb for the September 2010 quarter compared to 744,000lb for the 30 September 2009 quarter. An 83% increase over the same period last year.

- Langer Heinrich Mine:

  - September 2010 quarterly production of 900,000lb U_3O_8 vs. 654,000lb U_3O_8 in 2009. A 38% increase over the same period last year.
  - Stage 3 construction to expand capacity to 5.2Mlb pa is tracking early 2011 mechanical completion and start-up of commissioning.
  - Reserve increase of 104% to 134.1Mlb, underpinning Stage 4 expansion studies targeting annual production of 10Mlb pa.

- Kayelekera Mine is more consistently achieving nameplate design performance:

  - September 2010 quarterly production of 463,000lb U_3O_8 vs 90,000lb U_3O_8 in 2009. A 414% increase over the same period last year.
  - KM process plant throughput has advanced significantly since mid-September and this performance has continued through November.
  - A reserve upgrade is expected late in the December quarter.
  - Bankers completion test commenced on 1 November 2010, running for three months.

- Langer Heinrich Mine cost of sales (C1) for 2010 remained at US$26/lb (despite a 7% appreciation of the Rand in the quarter). Kayelekera Mine cost of sales (C1) decreased from US$59.50/lb in the year ended 30 June 2010 to US$50/lb in the September 2010 quarter, as nameplate was not achieved for the entire period; although significant improvements have been recognised since mid-September.

- Total sales volume for September 2010 of 1,043,000lb U_3O_8. A 48% increase compared to the same period in 2009. Langer Heinrich Mine sold 943,000lb and Kayelekera Mine sold 100,000lb. The average realised uranium sales price for 2010 was US$46.44/lb compared to US$54.48lb for 2009, reflecting the predominance of spot sales in the quarter.

- Successful acquisition of more than 90% of the issued share capital of NGM Resources Ltd via an off-market scrip takeover offer. Compulsory acquisition of all remaining shares is underway. This represents a significant addition to Paladin's portfolio of uranium exploration projects and will establish a presence in Niger, a major underexplored uranium province.

- A successful global issue of US$300M in convertible bonds announced on 28 October 2010. Proceeds will be used to fund the announced tender of US$250M December 2011 convertible bonds and fund other growth opportunities.

- Expensed exploration of US$5.2M. Resource upgrades during the quarter:

  - **Valhalla:** Measured and Indicated Resources were increased by 5.6% to 63.4Mlb U_3O_8 and total Resources were increased from 69.9Mlb to 76.2Mlb U_3O_8.

- Paladin has reached an agreement to resolve its dispute with Areva NC (Australia) Pty Ltd (Areva) as announced on 29 October 2010. The settlement paves the way for Paladin and Areva to work co-operatively as shareholders of Summit Resources Ltd and ensures that Paladin controls, amongst other things, the Mount Isa Project sales and marketing rights.

- Profit and Loss

				30 Sept 2010 US$M	30 Sept 2009 US$M
Revenue from sales of uranium oxide	**Up**	26%	to	48.4	38.3
Loss after tax attributable to members	**Down**	58%	to	8.2	19.4
Loss per share (US cents)				(1.1)	(3.0)

	3 months to 30 Sept 2010 US$M	**3 months to 30 Sept 2009 US$M**
Revenue	49.1	38.6
Gross profit	10.0	14.9
Exploration and evaluation expenses	(5.2)	(5.1)
Corporate and other	(16.6)	(8.6)
Finance costs	(13.1)	(5.2)
Loss before income tax expense	(24.9)	(4.0)
Income tax benefit/(expense)	15.1	(16.0)
Loss after income tax (expense)/benefit	(9.8)	(20.0)
Non-controlling interests	1.6	0.6
Net loss after tax	(8.2)	(19.4)

- Revenue increased US$10.5M as a result of increased sales of uranium. Total sales volume for the quarter to 30 Sept 2010 was 1,043,000lb U_3O_8 compared to 703,000lb U_3O_8 for the comparative period.

- Corporate costs for 2010 include a non-recurring foreign exchange loss of US$3M and a non-recurring inventory impairment expense of US$3M due to lower production values early in the quarter at KM. Increased finance costs for 2010 reflect the cessation of capitalisation of costs with KM entering commercial production on 1 July 2010.

- Net loss after tax for 2010 narrowed to US$8.2M from US$19.4M for 2009.

- Strong balance sheet at 30 September 2010 with US$275.2M in cash invested with Australian banks with a minimum AA Standard & Poor's credit rating.

The documents comprising the Financial Report for the three months ending 30 September 2010, including the Report to Shareholders, Management Discussion and Analysis, Financial Statements and Certifications are attached and will be filed with the Company's other documents on Sedar (sedar.com) and on the Company's website (paladinenergy.com.au).

Conference Call

Conference Call and Investor Update scheduled for 07:00 Perth & Hong Kong, Tuesday 16 November 2010.
18:00 Toronto, Monday 15 November 2010 and 23:00 London, Monday 15 November 2010.

Details were included in a separate news release made on 9 November 2010.

Contacts

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PALADIN ENERGY LTD

A.C.N. 061 681 098

FINANCIAL REPORT

FOR THE THREE MONTHS ENDING

30 SEPTEMBER 2010

PALADIN ENERGY LTD

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PALADIN ENERGY LTD

Report to Shareholders

First Quarter Report – 30 September 2010
(All figures are in US dollars unless otherwise indicated)

SAFETY

The implementation of the NOSA safety system at both Langer Heinrich Mine (LHM) and Kayelekera Mine (KM) continues its positive impact with both operations recording no Lost Time Incidents (LTI) for the quarter. The various site initiatives associated with vehicle safety have commenced to show results with significantly fewer vehicle incidents being recorded.

With the LHM's Stage 3 expansion now in full construction mode, there has been a major increase in the number of contract workers at site. As such, an external safety audit by NOSA of all contractors was undertaken with overall results satisfactory and all key deficiencies noted and addressed.

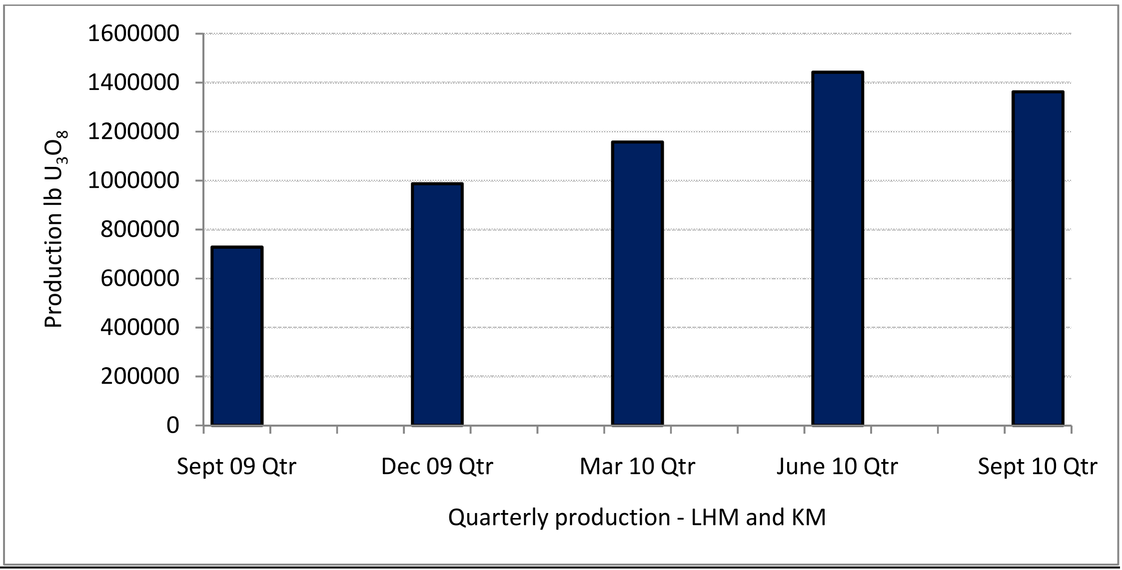
QUARTERLY URANIUM SALES

Sales for the quarter were 1,043,000lb U_3O_8 generating revenue of US$48.4M representing an average sales price of US$46.44/lb U_3O_8 (average Ux spot price for the quarter was US$45.50/lb U_3O_8). The lower average sales price (US$55.50/lb U_3O_8 in the June quarter) reflects the predominance of spot sales and the variations in quarterly delivery volumes in some sales contracts.

As nameplate production was not achieved at Kayelekera in July and August, this resulted in a higher unit cost of production for the September quarter. Taking a prudent approach inventory held at 30 September 2010 has been reduced to net realisable value at average budgeted sales prices for the year ended 30 June 2011. Unit costs are expected to rebalance in the forthcoming quarter as nameplate production starts to take effect.

PALADIN GLOBAL PRODUCTION

Combined Site Totals	Sept Qtr 2009	Dec Qtr 2009	Mar Qtr 2010	June Qtr 2010	Sept Qtr 2010
Production lb	728,598	987,310	1,157,375	1,442,842	**1,362,713**



(All figures are in US dollars unless otherwise indicated)

LANGER HEINRICH MINE (LHM), Namibia

Production

LHM (Monthly)	July	Aug	Sept	Sept Qtr
Production lb	308,340	270,245	321,150	**899,735**

LHM (Quarterly)	Dec Qtr 2009	Mar Qtr 2010	June Qtr 2010	Sept Qtr 2010
Production lb	841,995	928,370	927,373	**899,735**

Processing of ore was slightly below target achieving 97.3% of design nameplate production for the quarter. The shortfall essentially arose in August with change of pit ore running through the plant. These issues have been overcome and the plant is now operating at slightly above design performance.

The September quarter results represent an annualised 3.6Mlb U_3O_8 production level versus an installed nameplate of 3.7Mlb.

Mining

The mining and plant ore feed was as follows:

	July	Aug	Sept
Ore mined (t)	116,706	363,344	746,818
Grade (ppm)	744	930	864
Additional low grade mined (t)	52,291	38,648	132,256
Grade (ppm)	286	327	344
Waste/Ore ratio	5.9	2.4	0.59

	July	Aug	Sept
Ore crushed, t	182,072	179,714	186,080
Grade, ppm U_3O_8	994	881	1048

The variance in strip ratio on a monthly basis was only necessitated by the requirement to have sufficient waste rock available for the tailings storage facility (TSF) construction.

Process Plant

Tonnage through the process plant remained consistent with the previous quarter with a throughput of 547,866t of ore crushed.

Performance of the front end circuits suffered some challenges during the quarter with the ore commencing from the new Pit F area resulting in significant scaling of screens, piping and heat exchangers, especially during August. By the end of August the problem had been successfully addressed and the plant now treats the Pit F material without any significant scaling problems.

(All figures are in US dollars unless otherwise indicated)

The leaching circuit had a slightly reduced extraction rate of 91.5%. The insulation of the leach tanks has now been completed. The December quarter will be the first quarter with all the tanks insulated thus enabling the actual energy savings to be reviewed.

The ion exchange resin cleaning system made a positive contribution later in the quarter, with significantly improved flow rates through the IX columns and lower barren solution grades. This improved performance has continued into the new quarter.

Tailings

The construction work on TSF 2 is expected to progress according to schedule with the facility planned to receive tailings by the March quarter 2011.

Stage 3

Construction of Stage 3 at LHM, expanding production to 5.2Mlb pa, is 70% complete and tracking for mechanical completion early in the March quarter 2011 as planned. The budget remains within 10% of expectations.

- Earth works and civil works are substantively complete
- All major long-lead equipment items have now arrived at the site
- Major equipment installation at the site is well advanced with the scrubber, crusher, flash splash, leach tank, CCD tanks and tailings thickener equipment now being installed and assembled at site.
- Off-site fabrication of the IX columns is underway and remains the only critical path item under delivery pressure.

Stage 4 - Resource/Reserve Upgrade

Following the completion of approximately 40,000m of drilling during 2009 and 2010, a revised Mineral Resource and Ore Reserve estimate for the Langer Heinrich Deposit conforming to both the JORC (2004) guidelines and the requirements of NI 43-101 has now been finalised and the results are reported below at a 250ppm cut-off. The upgrade has increased Ore Reserves and Mineral Resources sufficiently to justify the planned Stage 4 expansion, for which the feasibility study is currently underway.

Revised Mineral Resources and Ore Reserves

Updated Mineral Resource Estimate (depleted for mining)

250ppm Cut-off U_3O_8	**Mt**	**ppm**	**t**	**Mlb**
Measured Resources	46.7	530	24,838	54.71
Indicated Resources	77.6	550	42,921	94.54
Measured + Indicated	**124.3**	**550**	**67,759**	**149.25** (106% increase)
Inferred Resources	**18.5**	**60**	**10,910**	**24.04**

Resources are depleted for mining to 30 June 2010 and include stockpiled material.

(All figures are in US dollars unless otherwise indicated)

The updated 2010 Mineral Resource estimate outlined herein represents a 6% increase in contained U_3O_8 after depletion for mining and importantly a 106% increase in the Measured and Indicated Mineral Resources from 32,858t (72.4Mlb) to 67,758t (149.2Mlb) contained U_3O_8, after depletion for mining.

ORE RESERVE ESTIMATE

Updated Ore Reserve Estimate

250ppm Cut-off U_3O_8	**Mt**	**ppm**	**t**	**Mlb**
Proved Ore Reserve	31.4	550	17,360	38.3
Probable Ore Reserve	66.5	570	37,570	82.8
Stockpiles	12.3	490	6,021	13.2
Total Ore Reserve	**110.2**	**550**	**60,951**	**134.3** (104% increase)

Ore Reserve has been depleted for mining, and may not add due to rounding

Key takeaways from this resource update:-

- A 104% Reserve increase to 134.1Mlb of contained U_3O_8 or 110.2Mt of ore at a grade of 550ppm U_3O_8
- Reserve provides a minimum 20 year LOM at Stage 3 design rates
- Reserve backstops Stage 4 expansion studies targeting 9Mlb pa conventional with an additional 1Mlb from heap leach using a lower grade ore component.

These Ore Reserves form the basis of the detailed mine planning for the Project. The revised mine model will allow a minimum mine life of over 20 years, based on a processing feed capacity of 3.45Mt pa, but does not include any contribution from the Inferred Mineral Resources within the open pit area.

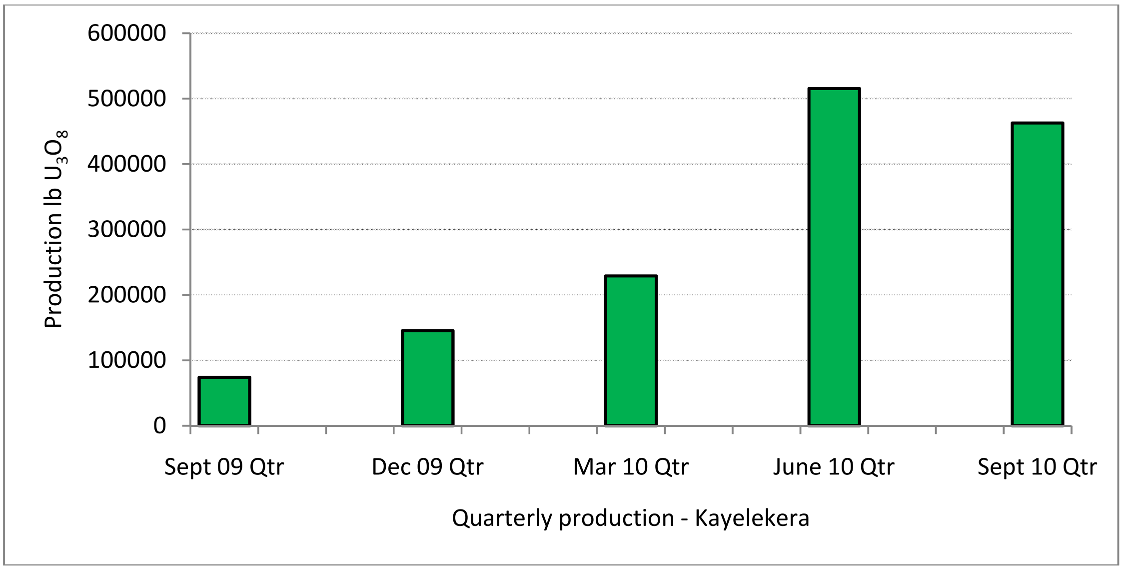
The Ore Reserve is quoted inclusive of ROM stockpiles which, at the end of June 2010, contained 12.3Mt at a grade of 490ppm U_3O_8 for 6,021t (13.2Mlb) U_3O_8.

(All figures are in US dollars unless otherwise indicated)

KAYELEKERA MINE (KM), Malawi

Production

	Dec Qtr 2009	March Qtr 2010	June Qtr 2010	Sept Qtr 2010
Production lb	145,315	228,996	515,478	**462,977**



As previously announced, Kayelekera installed and commissioned a secondary resin cleaning circuit during the September quarter. An ever increasing build-up of sand and foreign material in the resin caused a loss of efficiency in the elution circuit, restricting solution flow and hence plant capacity. However, an approximate two week commissioning period for the cleaning circuit in early September has successfully resulted in the anticipated improvements of the process plant. Since mid-September, the plant is more consistently achieving nameplate design performance.

Mining

The mining and plant ore feed during the quarter was as follows:

	July	Aug	Sept	Sept Qtr
Ore mined (t)	105,108	132,720	82,054	**319,882**
Grade (ppm) U_3O_8	1906	1555	2111	**1813**
Additional low grade mined (t)	39,680	33,473	49,073	**122,226**
Grade (ppm) U_3O_8	513	509	515	**513**
Waste/Ore ratio	1.2	1.75	2.3	**1.7**

(All figures are in US dollars unless otherwise indicated)

Operating data - Process

	July	Aug	Sept
Operating time hrs	591	587	478
Mill feed, dry tones	104,996	101,454	77,723
Grade (ppm)	1,306	1,093	1,330
Leach extraction %	83.7	84.1	86.3
RIP efficiency %	84.7	82.6	92.1
Overall efficiency %	68	64	76

Process Plant

Ore processing performance experienced a plateau from the beginning of the quarter and was further hampered by a reduction of operating hours in the earlier part of September due to the secondary screen implementation and maintenance.

The need to clean up the resin ahead of elution had been previously identified, as there had been a gradual increase in grit material within the plant, which was having a detrimental effect on elution capacity, as highlighted by the drop off in production since June 2010. The new equipment installation was completed early in September and took 2 weeks to commission and optimise. Once operational, the impact was immediate, resulting in:

- Significantly cleaner resin being fed to elution
- Increased flow rate capacity
- Reduction in elution downtime
- Efficiencies in excess of 95% being continuously achieved
- Increased grade of eluant going to precipitation
- Reduced RIP transfer time.

The table below presents key performance parameters for both the second half and the final week of September following the resin cleaning plant implementation.

	16-30th Sept	24-30th Sept
Leach Efficiency %	88.8	89.6
RIP Efficiency %	95.5	96.8
Overall Efficiency %	79.8	82.3
U_3O_8 to Precipitation lb/day*	8,363	9,571

**Nameplate is 9,041lb/day*

This performance has continued into October although mechanical availability has hampered production somewhat.

The crushing plant has been streamlined utilising both a mineral sizer and jaw crusher. This flexibility will allow for continued efficiencies and is expected to benefit ore handling going forward especially during the wet season.

Leach efficiency improved significantly over the month of September as a result of an on-going reagent dosing optimisation program. With steady state conditions and design throughput now continuous, unit reagent usage will normalise and reduce operating unit costs.

Resin-in-Pulp efficiency showed a dramatic improvement in September and the circuit is now considered quite robust and capable of very high operating efficiencies.

As a result of the cleaner resin the elution plant was able to operate at improved (nameplate) eluant flow rates and with less downtime for blockages. Consequently, overall uranium transfer to precipitation and elution efficiency both showed great improvements in the second half of September (transfer above nameplate for last 7 days and elution efficiencies consistently +/-95%).

Exploration

Infill RC drilling to the west and north of the mine site was completed. A total of 113 holes for 11,933m were drilled. The drilling was aimed at upgrading the Inferred Resources outside the current pit to the Indicated and Measured Resource categories, to be included in pit optimisation studies, and a reserve upgrade which is expected late in the December quarter.

Drilling revealed an extension to the known mineralisation and it is expected that a considerable amount of the inferred resources in this area will convert to the indicated and measured categories.

The drilling also located some new mineralisation at depth west of the pit. The mineralisation is 80m–90m below the known economic mineralisation and, under current conditions, not economic so will not be further investigated in the foreseeable future.

Post Quarter Trend

As described above, U_3O_8 throughput has advanced significantly since mid-September and this performance level has continued through the new quarter.

A programme has been underway for sometime upgrading materials of construction in areas highly susceptible to acid corrosion and abrasion, which have contributed to plant downtime in the past. This programme is now well advanced and should be completed by the end of the December quarter. Improved plant availability and reduced maintenance costs are anticipated.

MOUNT ISA REGION PROJECTS, Queensland

Work in the quarter included a resource upgrade for the Valhalla orebody. The resource drilling programme at the Odin Prospect was completed late in the quarter and drilling has commenced on the Bikini Prospect.

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

Valhalla Uranium Deposit

A Mineral Resource estimate conforming to both the JORC (2004) guidelines and the requirements of NI 43-101 has now been completed for the Valhalla uranium deposit following validation and compilation of data from drilling undertaken earlier in the year. The estimate covers the main Valhalla deposit as well as the south eastern extension, Valhalla South.

(All figures are in US dollars unless otherwise indicated)

The updated Mineral Resource estimate for the Valhalla uranium deposit is quoted using a cut-off grade of 230ppm U_3O_8.

U_3O_8	Mt	ppm	t	Mlb
Measured Resources	16.02	819	13,116	28.9
Indicated Resources	18.64	840	15,662	34.5
Total Measured & Indicated	**34.66**	**830**	**28,778**	**63.4**
Inferred Resources	**9.1**	**643**	**5,824**	**12.8**

(Figures in the table above may not add due to rounding)

Measured and Indicated Mineral Resources increased by 5.6% to 63.4Mlb U_3O_8 (28,778t U_3O_8) from previously announced 60.0Mlb U_3O_8 (27,229t U_3O_8). Total Mineral Resources increased from previous 69.9Mlb U_3O_8 to 76.2Mlb U_3O_8.

Odin Prospect

Resource definition drilling was completed at Odin, 1km north of Valhalla to a depth of 200m. A total of 99 holes for 16,044m were completed in 3 months. The Odin orebody has a strike length of 600m and contains two mineralised lenses. The main lense trends north-north-east and dips 50° - 60° to the east. The smaller southern lense strikes north-south and dips steeply to the east. Currently the dataset is being validated for a maiden resource expected in the December quarter.

OVERALL PALADIN ATTRIBUTED MINERAL RESOURCES IN THE MOUNT ISA PROJECTS

Deposit		**Measured Resources**			**Indicated Resources**			**Inferred Resources**			**Paladin Attribution**
Cut-off ppm U_3O_8		**Mt**	**Grade ppm**	**t U_3O_8**	**Mt**	**Grade ppm**	**t U_3O_8**	**Mt**	**Grade ppm**	**t U_3O_8**	
Valhalla	230	16.0	819	13,116	18.6	840	15,662	9.1	643	5,824	**91.0%**
Skal	250				4.3	575	2,485	8.4	491	4,130	**91.0%**
Bikini	250							10.1	517	5,200	**82.0%**
Andersons	230							2.0	1,050	2,100	**82.0%**
Watta	230							4.2	410	1,720	**82.0%**
Duke Batman	250				0.5	780	388	1.6	630	1,020	**100%**
Honey Pot	250							2.6	700	1,800	**100%**
Total		**16.0**	**819**	**13,116 (28.9Mlb)**	**23.4**	**2,195**	**18,535 (40.8Mlb)**	**38.0**	**573**	**21,794 (48Mlb)**	

ANGELA JOINT VENTURE, Northern Territory - Australia (Paladin 50% - Cameco 50% Operator)

A maiden JORC resource for the Angela and Pamela orebodies is expected in the next quarter. This project is essentially in the advanced exploration stage.

In September, the Chief Minister of the Northern Territory (NT) announced that his government will not support the establishment of a uranium mine at Angela and Pamela, south of Alice Springs even though the NT uranium development approvals fall under the direct responsibility of the Federal Government.

The NT Government did not consult with the joint venture partners in advance of the announcement and neither party had received any indication that the government might adopt this view.

In December 2006, the NT Government invited interested mining companies to apply for an exploration licence for the Angela and Pamela sites. In February 2008, of the 37 expressions of interest received, the Paladin and Cameco joint venture was selected by the NT Government as the preferred applicant. Management plans were submitted and approved and, in October 2008, the government granted the Paladin-Cameco joint venture an exploration licence.

Relying on encouragement and positive support from the government, Paladin pursued the joint venture in good faith, with both partners honouring the undertakings they made during the selection process. The project is still at the exploration phase and, in addition to drilling work, has been progressing with environmental and hydrogeological studies. It was always Paladin's expectation that the government would consider the project on its merits and due process, which would include appropriate scientific studies and assessments.

Paladin is considering its options in advance of further discussions with the NT Government.

CORPORATE

NGM Resources Ltd Takeover

On 24 September 2010, Paladin announced that its off-market scrip takeover offer for NGM Resources Ltd would lapse at the end of the offer period on 8 October 2010 as a consequence of the non-fulfilment of the defeating conditions contained in paragraphs 10.12(l) (*Force Majeure*) and 10.12(m) (*Material Adverse Effect*) of Paladin's Bidder's Statement.

On 8 October 2010, the Takeovers Panel declared that Paladin's purported reliance on the non-fulfilment of the above conditions constituted unacceptable circumstances. Details of the Panel's declaration is contained in its media release dated 8 October 2010 and the offer period was extended in relation to its off-market takeover bid for NGM until 5:00pm (Perth time) on 22 October 2010. Paladin further extended the offer period until 5.00pm (Perth time) on 5 November 2010.

On 25 October 2010, the Company announced that its offers dated 6 September 2010 made under an off-market takeover bid for all the ordinary shares in NGM Resources Limited and the contracts (if any) formed by the acceptance of any of those offers to be free from the conditions set out in clause 10.12 of Paladin's bidders statement dated 2 September 2010. The Company has acquired more than 90% of the issued share capital and is proceeding to compulsory acquisition of all shares not yet acquired.

URANIUM MARKET COMMENTS

The Ux spot price moved in a range from US$41.75/lb U_3O_8 in July 2010 to US$46.50/lb U_3O_8 in September. The Ux long term price indicator rose from US$58/lb U_3O_8 to US$60/lb U_3O_8 during the quarter.

In July, the OECD Nuclear Energy Agency and the IAEA released their joint report ***Uranium 2009: Resources, Production and Demand*** – also known as the "Red Book" – which is the 23rd edition of this report which examines uranium market fundamentals and provides a detailed analysis of global uranium resources and reserves. The 2009 Red Book provides assurance that the identified global uranium resource base is sufficient to underpin projected requirements and, as such, will not limit significant reactor growth during the century. However, the report also re-introduces the high-cost category of resources (<US$260/kg U) to reflect increased prices and mining costs since 2003 and also observes that although there are sufficient production centres technically capable of meeting a high-demand case through to 2028, beyond that date there is a need to identify new resources and bring them into production "in a timely fashion". The report emphasises that "strong market conditions will be required to bring the required investment to the industry". The report also notes that their supply/demand projections are based on the reactor fleet until 2035 and does not take account of the lifetime fuel requirements for reactors for new plants connected between 2010 and 2035.

The anticipated surge in new builds will place increased pressure on exploration, research, and investment in order to develop new mining projects.

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF
Managing Director/CEO

The following Management Discussion and Analysis ("MD&A") for Paladin Energy Ltd ("Company") should be read in conjunction with the Report to Shareholders and the Consolidated Financial Statements for the three months ended 30 September 2010. The effective date of this report is 12 November 2010.

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

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the three months ended 30 September 2010 in order to comply with applicable Canadian securities law, as the Company is also listed on the Toronto Stock Exchange.

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

FORWARD LOOKING STATEMENTS

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

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

OVERVIEW

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

The main activities undertaken during the three months ended 30 September 2010 were:

- Quarterly production of 1,362,713lb U_3O_8 vs. 1,442,842lb U_3O_8 from previous quarter.
- LHM reserve increase of 104% to 134.1Mlb, backstopping Stage 4 expansion studies targeting annual production of 10Mlb per annum.
- Implementation of the NOSA safety system at both LHM and KM continues its positive impact with both operations recording no Lost Time Incidents for the quarter.
- LHM Stage 3 tracking early 2011 mechanical completion and start-up of commissioning.
- KM delayed in achieving sustained nameplate until mid September 2010.
  - Higher efficiencies and sustained nameplate production achieved after introduction of a resin cleaning circuit
- Revenue of US$48.4M from a sales volume of 1,043,000lb U_3O_8 for the quarter ended 30 September 2010 at an average realised sales price of US$46.44/lb.
- Acquisition of more than 90% of the issued share capital of NGM Resources Ltd in an off-market scrip takeover offer. Proceeding to compulsory acquisition of all shares not yet acquired.

SUMMARISED INCOME STATEMENT

	Three Months Ended 30 September 2010 US$M	2009 US$M
Revenue	**49.1**	**38.6**
Gross profit	**10.0**	**14.9**
Exploration and evaluation expenses	(5.2)	(5.1)
Other expenses and income	(16.6)	(8.6)
Finance costs	(13.1)	(5.2)
Income tax benefit/(expense)	15.1	(16.0)
Non controlling interests	1.6	0.6
Loss after tax attributable to the ordinary equity holders of the Company	**(8.2)**	**(19.4)**
Loss per share - basic & diluted (US cents)	(1.1)	(3.0)

Three Months Ended 30 September 2010

References to 2010 and 2009 refer to the equivalent three months ended 30 September 2010 and 2009 respectively.

Revenue increased from US$38.6M to US$49.1M in 2010 as a result of increased sales of uranium of US$48.4M (2009: US$38.3M). Total sales volume for the quarter was 1.043Mlb U_3O_8 (2009: 0.703Mlb). LHM sold 0.943Mlb U_3O_8 and KM sold 0.1Mlb U_3O_8. All sales for 2009 relate to Stage 1 of LHM. Total production for the quarter was 1.363Mlb U_3O_8 (2009: 0.744Mlb). LHM produced 0.900Mlb U_3O_8 (2009: 0.654Mlb) and KM produced 0.463Mlb U_3O_8 (2009: 0.090Mlb). All production for 2009 relates to Stage 1 of LHM. The average realised uranium sales price in 2010 was US$46.44/lb U_3O_8 (2009: US$54.48/lb), reflecting the predominance of spot sales for the quarter.

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

Gross Profit in 2010 of US$10.0M is lower than in 2009 (US$14.9M) as a result of lower average uranium sales prices despite increased sales volumes. The cost of sales for LHM in 2010 remained at US$26/lb U_3O_8 (2009: US$26/lb). The cost of sales for KM in 2010 was US$50/lb U_3O_8 (2009: nil). Overall cost of sales has been impacted by higher unit costs associated with lower production volumes during the ramp-up of production at KM. Material produced during production ramp-up has been recognised at the lower of cost and net realisable value.

Exploration and Evaluation Expenditure of US$5.2M in 2010 related predominantly to the Valhalla/Skal, Isa North, Bigrlyi, Angela and KM projects. Of this total, US$1.9M was spent on the Valhalla/Skal joint venture project, US$1.0M on the Isa North project and US$0.9M on the Angela joint venture project.

Other Expenses and Income has increased from US$8.6M to US$16.6M predominantly due to the recognition of a non-recurring impairment of inventory expense of US$3.0M, a foreign exchange loss of US$3.0M and higher corporate costs associated with expanded operations. Taking a prudent approach, inventory held by KM has been reduced to net realisable value at average budgeted sales prices for the year ended 30 June 2011.

Finance Costs have increased by US$7.9M to US$13.1M despite average borrowings year on year remaining fairly static due to a proportion of the interest payable in 2009 on the convertible bonds and project finance being capitalised as part of the construction of KM. Finance costs relate primarily to interest payable on the US$250.0M convertible bonds issued 15 December 2006, the US$325.0M convertible bonds issued 11 March 2008, US$135.9M project finance for KM and US$39.9M project finance for LHM.

Income Tax Benefit of US$15.1M is predominantly attributable to the losses recognised for KM for the quarter and additional losses being recognised for the Australian tax group to largely offset the fair value adjustments on investments. The fair value adjustments are accounted through the reserves. As such the tax losses for the current year are all used to offset the deferred tax liability arising from the fair value adjustment. Additional losses, previously not recognised are required to be recognised to offset the balance of the deferred tax liability in Australia. Recognising these additional losses gives rise to a deferred tax asset, which offsets the deferred tax liability and gives rise to a corresponding income tax benefit for the quarter.

Non-controlling Interest in net losses of US$1.6M has been recorded in 2010 attributable to the 18.0% interest in Summit held by third parties and the 15% interest in Paladin (Africa) Ltd held by the Government of Malawi.

The *Loss after Tax attributable to the ordinary equity holders of the Company* for 2010 of US$8.2M was lower than the loss after tax for 2009 of US$19.4M predominantly as a result of the recognition in 2010 of an income tax benefit of US$15.1M compared to and income tax expense in 2009 of US$16.0M.

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

Summary of Quarterly Financial Results

	2010 Sep Qtr US$M	2010 Jun Qtr US$M	2010 Mar Qtr US$M	2009 Dec Qtr US$M
Total revenues	49.1	49.8	53.3	62.6
(Loss)/profit after tax	(8.2)	(26.9)	(7.0)	0.4
Basic and diluted loss per share (US cents)	(1.1)	(3.6)	(1.0)	-

	2009 Sep Qtr US$M	2009 Jun Qtr US$M	2009 Mar Qtr US$M	2008 Dec Qtr US$M
Total revenues	38.6	23.2	25.0	14.2
(Loss)/profit after tax	(19.4)	2.1	(6.8)	(470.8)
Basic and diluted loss per share (US cents)	(3.0)	-	(1.1)	(75.9)

The loss before tax for the quarter ended 30 September 2010 was US$24.9M, which is an increase from the quarter ended 30 September 2009 of US$4.0M. This was attributable to higher finance costs after cessation of capitalisation of KM, foreign exchange losses and an inventory impairment as well as a reduction in gross profit due to lower average uranium sales prices, due to the predominance of spot sales in the September 2010 quarter. Loss after tax for the quarter ended September US$8.2M was lower than the loss after tax for 2009 of US$19.4M predominantly as a result of the recognition in 2010 of an income tax benefit of US$15.1M compared to an income tax expense in 2009 of US$16.0M.

Total revenues for the quarters ended December 2009, March 2010, June 2010 and September 2010 have increased when compared to the equivalent comparative quarter as a result of higher sales of uranium. Total revenues for the quarters ended December 2009, March 2010, June 2010 and September 2010 include sales by KM.

All contracted sales are made in accordance with delivery schedules agreed with each customer from time to time and, as a result, delivery quantities and revenues are not evenly distributed between quarters.

Profit after tax for the quarter ended December is a turnaround from the comparative quarter predominantly as a result of the recognition in 2008 of an impairment of the Mount Isa exploration and evaluation asset of US$527.6M net of the deferred tax liability.

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

Loss after tax for the quarter ended June is a turnaround of US$29M from the comparative quarter as a result of a non-cash income tax benefit recognised for 2009 of US$16.8M whilst a non-cash income tax charge was recognised for 2010 of US$10M.

(All figures are in US dollars unless otherwise indicated)

Segment Disclosure (refer to Note 3)

The profit before tax and finance costs of US$7.7M in the Namibian segment of the Company is marginally lower when compared to 2009 as a result of lower average uranium sales prices despite increased sales volumes. In the Malawian segment the Company reflected a higher loss before tax and finance costs of US$9.0M when compared to 2009 reflecting loss on sale of inventory due to the higher cost of goods sold during ramp-up of production, the recognition of a non-recurring impairment of inventory expense, foreign exchange loss and the revaluation expense of the material loaned internally from a group company to fulfil contract commitments in the year ended 30 June 2010. The 2009 Malawian geographical segment loss before tax and finance costs of US$0.2M as all costs were capitalised during the construction phase and loss relates to exploration and evaluation expenditure and corporate costs which are partially offset by a foreign exchange gain. In the Australian geographical segment the Company reflected the remaining Income Statement activities, which for 2010 comprises mainly exploration, marketing and corporate costs.

SEGMENT GROSS PROFIT

	SEPTEMBER 2010 QUARTER			**YEAR ENDED 30 JUNE 2010**		
	LHM	**KM**	**TOTAL**	**LHM**	**KM**	**TOTAL**
Volume Sold (lb)	*943,000*	*100,000*	*1,043,000*	*2,726,000*	*1,000,000*	*3,726,000*
Average Sales Prices/lb			*US$46.44/lb*			*US$54/lb*
Revenue			US$48.4M			US$202.0M
Cost of Sales (C1)	US$23.9M	US$5.0M	US$28.9M	US$72.1M	US$59.5M	US$131.6M
Cost of Sales/lb (C1)	*US$26/lb*	*US$50/lb*	*US$28/lb*	*US$26/lb*	*US$59.5/lb*	*US$30/lb*
Profit after C1 Costs			US$19.5M			US$70.4M
Other Revenue and Costs, mainly depreciation			US$9.5M			US$19.4M
GROSS PROFIT			**US$10.0M**			**US$51.0M**

Sales of 1,043,000lb at an average of US$46.44/lb generated revenue of US$48.4M in the quarter ended 30 September 2010. This compares with an average sales price of US$54/lb for the year ended 30 June 2010.

Cost of Sales (C1) for LHM in the quarter ended 30 September 2010 remained at US$26/lb which reflects a strong production performance from LHM. C1 costs decreased from US$59.5/lb for the year ended 30 June 2010 to US$50/lb.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended 30 September 2010 US$M	2009 US$M
Net loss after tax	**(9.8)**	**(20.0)**
Net gain/(loss) on available for sale financial assets	**7.9**	**(1.6)**
Foreign currency translation	**68.5**	**55.4**
Income tax on items of other comprehensive income	**(3.7)**	**(1.0)**
Total comprehensive income for the period	**62.9**	**32.8**

Three months ended 30 September 2010

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

Net Gain on Available-for-Sale Financial Assets in 2010 of US$7.9M primarily relates to the fair value increment in Deep Yellow Limited (DYL) (net of tax and foreign exchange movements) attributable to the increase in the DYL share price.

Foreign Currency Translation relates to the foreign currency translation reserve movement as a result of the translation of subsidiaries with Australian dollar functional currencies into the Company presentation currency of US dollars on an ongoing basis and for the comparative period.

SUMMARISED STATEMENT OF FINANCIAL POSITION	**As at 30 September 2010 Unaudited US$M**	**As at 30 June 2010 Audited US$M**
Total current assets	473.4	515.9
Total non current assets	1,561.6	1,441.7
Total assets	2,035.0	1,957.6
Total current liabilities	119.6	121.4
Total non current liabilities	891.5	879.8
Total liabilities	1,011.1	1,001.2
Net Assets	**1,023.9**	**956.4**

Current Assets have decreased to US$473.4M at 30 September 2010 due to a decrease in cash as well as trade and other receivables which have been partially offset by an increase in inventories and prepayments.

Cash and cash equivalents have decreased to US$275.2M at 30 September 2010 as a result of principal repayments for both the LHM and KM project finance facilities, expenditure on the Stage 3 expansion at LHM, exploration and evaluation project expenditure, finance costs and corporate costs for the quarter ended 30 September 2010. This has been partially offset by a cash inflow from LHM and KM operations.

The cash and cash equivalents are currently invested over a range of maturities with Australian banks with a minimum AA Standard & Poor’s credit rating.

Trade and other receivables and prepayments have decreased from US$45.8M to US$39.3M during the quarter ended 30 September 2010. Trade receivables and GST/VAT receivables have decreased whilst prepayments and sundry debtors have increased primarily as a result of the ramp-up of operations at KM.

Inventories have increased from US$109.3M to US$146.9M at 30 September 2010 due to production volumes of 1.36Mlb U_3O_8 being larger than sales volume for the quarter of 1.04Mlb U_3O_8, reflecting the increase of stock in transit and converter stocks associated with increased production levels.

Finished goods, at cost, as at 30 September 2010, have decreased by US$1.5M to US$56.9M. Finished goods at net realisable value have increased by US$29.7M to US$49.6M which represents inventory at KM.

Non Current Assets have increased to US$1,561.6M at 30 September 2010 primarily as a result of the foreign exchange movement on the Australian dollar denominated exploration assets, capital expenditure on the Stage 3 expansion at LHM and an increase in the fair value of available-for-sale financial assets primarily attributable to the increase in the DYL share price.

Current Liabilities have decreased from US$121.4M to US$119.6M at 30 September 2010 primarily as a result of a decrease in interest bearing loans and borrowings as a result of principal repayments for both the LHM and KM project finance facilities which has been partially offset by higher trade and other payables due to the ramp-up of operations at KM.

Non Current Liabilities have increased from US$879.8M to US$891.5M at 30 September 2010 primarily as a result of an increase in deferred tax liabilities. The deferred tax liabilities have largely increased due to the foreign exchange movement on the translation of the assets recognised on the acquisition of the Summit Group in Australia and exploration assets in Mount Isa which have been partially offset by a decrease in interest bearing loans and borrowings as a result of principal repayments for both the LHM and KM project finance facilities.

Segment Disclosure (refer to Note 3)

In the Statement of Financial Position as at 30 September 2010, the Company reflected a marginal increase in the Australian segment assets for the three month period. For the Namibian segment an increase in assets occurred in the period predominantly due to the Stage 3 expansion. For the Malawian segment, an increase in assets occurred in the period predominantly as a result of commencement of production.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Three Months Ended 30 September	
	2010 US$M	**2009 US$M**
Total equity at the beginning of the financial period	956.4	631.2
Total comprehensive income for the period	62.9	32.8
Recognised value of unlisted employee options and performance share rights	4.6	2.7
Contributions of equity, net of transaction costs	-	363.9
Total Equity at the End of the Financial Period	1,023.9	1,030.6

Total Comprehensive Income for the Three Months Ended 30 September 2010 is discussed under the Statement of Comprehensive Income section.

Recognised Value of Unlisted Employee Options and Performance Rights in 2010 totals US$4.6M. During the quarter no employee options were exercised or granted and 88,961 were forfeited with an exercise price of A$4.50 per share. During the quarter 1,000,000 performance share rights were granted with vesting dates ranging from 1 January 2011 to 1 July 2013. Of these 750,000 were issued as fully paid ordinary shares to be held in trust, vesting variously over time up to 1 January 2012 subject to conditions.

Contributions of Equity in 2010 increased by US$1.6M, transferred from the share based payments reserve, due to the vesting of 530,580 share rights. The number of fully paid ordinary shares on issue at 30 September 2010 is 718,423,382, an increase of 1,280,580 during the quarter.

Share options of 12,679,794 and performance rights of 4,670,220 remain outstanding at 30 September 2010 to the employees and consultants directly engaged in corporate, mine construction, operations, exploration and evaluation work.

SUMMARISED STATEMENT OF CASH FLOWS

	Three Months Ended 30 September	
	2010 US$M	**2009 US$M**
Net cash outflow from operating activities	(27.0)	(9.0)
Net cash outflow from investing activities	(31.1)	(51.6)
Net cash (outflow)/inflow from financing activities	(16.7)	489.1
Net (decrease)/increase in cash held	(74.8)	428.5
Cash and cash equivalents at the beginning of the financial period	348.8	66.2
Effects of exchange rate changes on cash and cash equivalents	1.2	(0.2)
Cash and cash equivalents at the End of the Financial Period	**275.2**	**494.5**

Three months ended 30 September 2010

Net Cash Outflow from Operating Activities was US$27.0M in 2010 primarily due to payments to suppliers and employees of US$75.0M relating to the mine operations at LHM and KM and corporate costs, exploration and evaluation project expenditure of US$4.7M and interest payments of US$10.2M on project finance facilities and convertible bonds. This was partly offset by sales receipts of US$62.6M.

Net Cash Outflow from Investing Activities was US$31.1M in 2010 as a result primarily of Stage 3 expansion at LHM. The net cash outflow of US$51.6M in 2009 was as a result of mine construction at KM, Stage 2 expansion at LHM and the acquisition of shares in NGM.

Net Cash Outflow from Financing Activities of US$16.7M in 2010 is attributable to the repayment of project financing for both LHM and KM. The net cash inflow of US$489.1M in 2009 was attributable to the US$364.5M net proceeds from the share placement and US$124.6M net proceeds from the drawdown of KM project finance facilities.

Net Decrease in Cash and Cash Equivalents in 2010 was US$74.8M, as compared to the net increase in cash over the previous corresponding period in 2009 of US$428.5M. The change is predominantly the result of the net proceeds from the share placement of the US$364.5M, the drawdown of KM project financing facilities of US$124.6M and the repayment of project financing for both LHM and KM.

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

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal source of liquidity as at 30 September 2010 is cash of US$275.2M (30 June 2010: US$348.8M). The cash is currently invested over a range of maturities with Australian banks with a minimum AA Standard & Poor's credit rating.

The Group's principal sources of cash for the three months ended 30 September 2010 were uranium sales receipts and interest received from cash investments.

The remaining amount outstanding on the LHM project finance facilities amounted to US$39.9M.

For KM, the Group has financing facilities totalling US$167.0M which are now fully drawn. At 30 September 2010, US$135.9M remains outstanding. A further US$12M has since been drawn down under the facility.

The following is a summary of the Group's outstanding commitments as at 30 September 2010:

	Total	***Less than 1 yr***	***1 to 5yrs***	***5yrs+ or unknown***
Payments due by period	***US$M***	***US$M***	***US$M***	***US$M***
Tenements	27.6	2.4	24.9	0.3
Mine construction	34.8	34.8	-	-
Operating leases	7.5	1.5	5.8	0.2
Manyingee acquisition costs	0.7	-	-	0.7
Total commitments	70.6	38.7	30.7	1.2

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

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

The Company has no other material off balance sheet arrangements.

(All figures are in US dollars unless otherwise indicated)

OUTSTANDING SHARE INFORMATION

As at 12 November 2010 Paladin had 718,423,382 fully paid ordinary shares issued and outstanding. The following table sets out the fully paid ordinary outstanding shares and those issuable under the Company Executive Share Option Plan, the Company Employee Performance Share Rights Plan and in relation to the Convertible Bonds:

As at 12 November 2010	Number
Outstanding shares	718,423,382
Issuable under Executive Share Option Plan	12,371,794
Issuable under Employee Performance Share Rights Plan	7,274,000
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
Issuable in relation to the US$300 million Convertible Bonds	52,956,752
Total	**872,873,979**

CRITICAL ACCOUNTING ESTIMATES

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

FINANCIAL INSTRUMENTS

At 30 September 2010 the Company has exposure to interest rate risk which is the risk that the Company's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate project finance debts or opportunity losses that may arise on fixed rate convertible bonds in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the historically low US dollar interest rates of these financial instruments.

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

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

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

The Company's treasury function is responsible for the Company's capital management, including management of the long-term debt and cash as part of the capital structure. This involves the use of corporate forecasting models which enable analysis of the Company's financial position including cash flow forecasts to determine the future capital management requirements. To ensure sufficient funding for operational expenditure and growth activities, a range of assumptions are modelled so as to provide the flexibility in determining the Company's optimal future capital structure.

OTHER RISKS AND UNCERTAINTIES

Risk Factors

The Company is subject to other risks that are outlined in the Annual Information Form 51-102F2 which is available on SEDAR at sedar.com

TRANSACTIONS WITH RELATED PARTIES

During the three months ended 30 September 2010 no payments were made to Director related entities. Directors of the Company receive compensation based on their personal contracts.

DISCLOSURE CONTROLS

The Company has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Report for the three months ended 30 September 2010, associated Management Discussion and Analysis and Report to Shareholders. An evaluation of the Company's disclosure controls and procedures used has been undertaken and concluded that the disclosure controls and procedures were effective.

INTERNAL CONTROLS

The Company has designed appropriate internal controls over financial reporting (ICFR) and ensured that these were in place for the three months ended 30 September 2010. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Company's Consolidated Financial Report as at 30 September 2010.

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

SUBSEQUENT EVENTS

Since the end of the quarter, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 30 September 2010 Financial Report:

Langer Heinrich Mine Significant Resource Upgrade
On 1 October 2010, the Company announced an Ore Reserve increase of 104% to 134.1Mlb, following the completion of approximately 37,000m of drilling during 2010.

Resource Upgrade for the Valhalla Uranium Deposit
On 19 October 2010, the Company announced Measured and Indicated Mineral Resources increased by 5.6% to 63.4Mlb U_3O_8 (28,778t U_3O_8) from previously announced 60.0Mlb U_3O_8 (27,229t U_3O_8). Total Mineral Resources increased from previous 69.9Mlb U_3O_8 to 76.2Mlb U_3O_8.

Kayelekera Mine Project Finance Completion Test
On 25 October 2010, the Company announced that in accordance with the Kayelekera Mine project finance loan, the Completion Test will commence 1 November 2010. The Completion Test requires the Project to operate at a minimum of 90% of design production for a continuous period of 90 days. It will include specific performance parameters, including tests for mining, recovery, production, grade, milling and production costs. Paladin has commenced the Completion Test based on the production levels achieved over the past month and confidence the Project can maintain nameplate production. Once the Completion Test is achieved the interest margin on the Commercial Bank facility portion of the outstanding KM project finance debt will reduce by 0.50% per annum and the loan becomes non-recourse to Paladin Energy Ltd.

Takeover bid for NGM Resources Limited – Notice to free offer from conditions
On 25 October 2010, the Company announced that the offers dated 6 September 2010 made by it under an off-market takeover bid for all the ordinary shares in NGM Resources Limited and the contracts (if any) formed by the acceptance of any of those offers free from the conditions set out in clause 10.12 of Paladin's bidders statement dated 2 September 2010. The Company has acquired more than 90% of the issued share capital and is proceeding to compulsory acquisition of all shares not yet acquired.

Successful raising of US$300M through Convertible Bonds
On 28 October 2010, the Company announced the pricing of its issue of US$300M senior, unsecured convertible bonds due 2015. The Convertible Bonds carry a coupon of 3.625% per annum payable semi-annually in arrear and are convertible into Paladin shares at an initial conversion price of US$5.665 per share, representing a conversion premium of approximately 32.5% above the reference price of Paladin shares at the time of pricing. Unless previously redeemed, purchased or cancelled, the Convertible Bonds will be redeemed at par on 4 November 2015. The proceeds of the issue will be used to fund Paladin's concurrent tender offer to acquire any and all of its US$250M issue of convertible bonds due in December 2011, with any amount not applied to the tender offer being utilised to fund in part the proposed expansion of the Langer Heinrich Mine and to pursue future growth opportunities.

Settlement of Areva Proceedings
On 29 October 2010, the Company announced that it has reached an agreement to resolve its dispute with Areva NC (Australia) Pty Ltd (Areva). As part of the settlement arrangements, Paladin paid A$3,950,000 to Areva in consideration for the transfer to Paladin of all of Areva's rights under the Strategic Alliance agreement between Areva and the Summit entities.

Paladin is very pleased with the settlement as it:

- resolves the dispute with Areva, and thereby paves the way for Paladin and Areva to work co-operatively as shareholders of Summit Resources Ltd.

- ensures that Paladin controls, amongst other things, the Mt Isa Project sales and marketing rights.

Although the effect of the settlement is that the underlying claim by Summit against Resolute and MIU remains on foot, as previously announced, Paladin is confident that, if pursued, those proceedings can be successfully defended and, in any event, Paladin has the benefit of an indemnity from Resolute.

Issue of Performance Share Rights
On 5 November 2010, the Company announced the granting of 2,617,100 Share Rights, pursuant to the Employee Performance and Contractor Shares Rights Plans, subject to vesting conditions as outlined in the Plans.

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

	Notes	Three Months Ended 30 September 2010 US$M	2009 US$M
Revenue			
Revenue	**4(a)**	49.1	38.6
Cost of sales		(28.9)	(18.6)
		20.2	20.0
Depreciation and amortisation		(7.0)	(3.4)
Product distribution costs		(2.0)	(0.6)
Royalties		(1.2)	(1.1)
Gross profit		10.0	14.9
Exploration and evaluation	**10**	(5.2)	(5.1)
Administration and marketing		(10.6)	(7.4)
Other expenses	**4(b)**	(6.0)	(1.2)
Finance costs	**4(c)**	(13.1)	(5.2)
Loss before income tax benefit/(expense)		(24.9)	(4.0)
Income tax benefit/(expense)		15.1	(16.0)
Net loss after tax		(9.8)	(20.0)
Attributable to:			
Non controlling interests		(1.6)	(0.6)
Members of the parent		(8.2)	(19.4)
		(9.8)	(20.0)
Loss per share (US cents)			
Loss after tax from operations attributable to ordinary equity holders of the Company		**US$**	**US$**
- basic and diluted (US cents)		(1.1)	(3.0)

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

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

	Three Months Ended 30 September	
	2010	**2009**
	US$M	**US$M**
Net loss after tax from operations	(9.8)	(20.0)
Other comprehensive income		
Net gain/(loss) on available-for-sale financial assets	7.9	(1.6)
Foreign currency translation	68.5	55.4
Income tax on items of other comprehensive income	(3.7)	(1.0)
Other comprehensive income for the period, net of tax	72.7	52.8
Total comprehensive income for the period	62.9	32.8
Total comprehensive income attributable to:		
Non controlling interests	6.8	(0.6)
Members of the parent	56.1	33.4
	62.9	32.8

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

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

	Notes	30 September 2010 Unaudited US$M	30 June 2010 Audited US$M
ASSETS			
Current assets			
Cash and cash equivalents	**5**	275.2	348.8
Trade and other receivables	**6**	19.3	32.3
Prepayments		20.0	13.5
Inventories	**7**	146.9	109.3
Non current assets held for sale		12.0	12.0
TOTAL CURRENT ASSETS		473.4	515.9
Non current assets			
Trade and other receivables	**6**	0.3	0.3
Inventories	**7**	42.1	40.8
Other financial assets		50.5	35.7
Property, plant and equipment	**8**	561.1	541.1
Mine development	**9**	116.5	119.2
Exploration and evaluation expenditure	**10**	766.8	680.0
Intangible assets	**11**	24.3	24.6
TOTAL NON CURRENT ASSETS		1,561.6	1,441.7
TOTAL ASSETS		2,035.0	1,957.6
LIABILITIES			
Current liabilities			
Trade and other payables		68.4	63.2
Unearned revenue		0.2	0.2
Interest bearing loans and borrowings	**12**	40.3	47.9
Provisions	**13**	10.7	10.1
TOTAL CURRENT LIABILITIES		119.6	121.4
Non current liabilities			
Interest bearing loans and borrowings	**12**	677.3	682.2
Deferred tax liabilities		178.5	164.1
Provisions	**13**	35.7	33.5
TOTAL NON CURRENT LIABILITIES		891.5	879.8
TOTAL LIABILITIES		1,011.1	1,001.2
NET ASSETS		1,023.9	956.4
Equity			
Contributed equity	**14(a)**	1,476.2	1,474.6
Reserves		110.0	42.7
Accumulated losses		(642.3)	(634.1)
Parent interests		943.9	883.2
Non controlling interests		80.0	73.2
TOTAL EQUITY		1,023.9	956.4

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

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

	Contributed Equity US$M	Available for Sale Reserve US$M	Share-Based Payments Reserve US$M	Convertible Bond non-Distrib-utable Reserve US$M	Foreign Exchange Revaluation Reserve US$M	Premium on Acquisition Reserve US$M	Option Application Reserve US$M	Consoli -dation Reserve US$M	Accumu-lated Losses US$M	Owners of the Parent US$M	Non Controlling Interests US$M	Total US$M
Balance at 1 July 2009	**1,111.6**	**32.5**	**25.9**	**38.9**	**(80.2)**	**14.9**	**0.1**	**(0.2)**	**(581.2)**	**562.3**	**68.9**	**631.2**
Changes in equity for the three months to 30 September 2009												
Share-based payment	-	-	2.7	-	-	-	-	-	-	2.7	-	2.7
Contributions of equity, net of transactions costs	363.9	-	-	-	-	-	-	-	-	363.9	-	363.9
Total comprehensive income/(loss) for the three months, net of tax	-	1.3	-	-	46.3	-	-	-	(19.4)	28.2	**4.6**	32.8
Balance at 30 September 2009	**1,475.5**	**33.8**	**28.6**	**38.9**	**(33.9)**	**14.9**	**0.1**	**(0.2)**	**(600.6)**	**957.1**	**73.5**	**1,030.6**
Balance at 1 July 2010	**1,474.6**	**7.8**	**38.0**	**38.9**	**(56.8)**	**14.9**	**0.1**	**(0.2)**	**(634.1)**	**883.2**	**73.2**	**956.4**
Changes in equity for the three months to 30 September 2010												
Share-based payment	-	-	4.6	-	-	-	-	-	-	4.6	-	4.6
Vesting of performance rights	1.8	-	(1.8)	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the three months, net of tax	**(0.2)**	**8.3**	**-**	**-**	**56.2**	**-**	**-**	**-**	**(8.2)**	**56.1**	**6.8**	**62.9**
Balance at 30 September 2010	**1,476.2**	**16.1**	**40.8**	**38.9**	**(0.6)**	**14.9**	**0.1**	**(0.2)**	**(642.3)**	**943.9**	**80.0**	**1,023.9**

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

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

	Three Months Ended 30 September 2010 US$M	Three Months Ended 30 September 2009 US$M
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	62.6	51.5
Payments to suppliers and employees	(75.0)	(46.8)
Exploration and evaluation expenditure	(4.7)	(5.6)
Interest received	0.3	0.2
Interest paid	(10.2)	(8.3)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(27.0)	(9.0)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(31.1)	(50.5)
Payments for available-for-sale financial assets	-	(1.1)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(31.1)	(51.6)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share placement	-	374.2
Equity fundraising costs	-	(9.7)
Project finance facility establishment costs	-	(7.4)
Repayment of borrowings	(16.7)	-
Drawdown of borrowings	-	132.0
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(16.7)	489.1
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(74.8)	428.5
Cash and cash equivalents at the beginning of the financial period	348.8	66.2
Effects of exchange rate changes on cash and cash equivalents	1.2	(0.2)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	275.2	494.5

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

NOTE 1. CORPORATE INFORMATION

The Financial Report of Paladin for the quarter ended 30 September 2010 was authorised for issue in accordance with a resolution of the Directors on 4 November 2010.

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

The nature of the operations and principal activities of the Group are described in the Management Discussion and Analysis on pages 13 to 27.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the three months ended 30 September 2010 has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting,* International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the Corporations Act 2001.

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the three months ended 30 September 2010 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

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

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

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

NOTE 3. SEGMENT INFORMATION

Identification of reportable segments

The Company has adopted AASB 8 (IFRS 8) Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Company has identified its operating segments to be Australia, Namibia and Malawi, on the basis of geographical location and different regulatory environments. The main segment activities in Namibia and Malawi is the production and sale of uranium from the mines located in theses geographic regions. The Australia segment is focused on developing Australian exploration and evaluation projects.

NOTE 3. SEGMENT INFORMATION

Identification of reportable segments (continued)

Discrete financial information about each of these operating segments is reported to the chief operating decision makers on at least a monthly basis.

The accounting policies used by the Group in reporting segments internally are the same as those used in the prior period.

Inter-entity sales are priced with reference to the spot rate.

Corporate charges comprise non-segmental expenses such as corporate office expenses. A proportion of the corporate charges are allocated to Namibia and Malawi with the balance remaining in Australia.

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

- Interest revenue

The following tables present revenue, expenditure and asset information regarding geographical segments for the three months ended 30 September 2010 and 30 September 2009.

NOTE 3. SEGMENT INFORMATION (continued)

Three months ended 30 September 2010	**Australia US$M**	**Namibia US$M**	**Malawi US$M**	**Consolidated US$M**
Sales to external customers	-	43.9	4.6	48.4
Other revenue	0.1	-	-	0.2
Total segment revenue	**0.1**	**43.9**	**4.6**	**48.6**
Unallocated revenue				0.5
Total consolidated revenue				**49.1**
Segment (loss)/profit before income tax and finance costs	(10.5)	7.7	(9.0)	(11.8)
Finance costs	(11.0)	(0.6)	(1.5)	(13.1)
Loss before income tax expense				(24.9)
Income tax benefit/(expense)	11.5	(0.1)	3.7	15.1
Loss after income tax expense				**(9.8)**
Depreciation and amortisation	(0.3)	(5.5)	(1.5)	(7.3)
Property, plant and equipment and mine development	8.3	234.4	434.9	677.6
Non current assets	694.5	330.5	536.6	1,561.6
Segment assets/total assets	**939.3**	**444.6**	**651.1**	**2,035.0**

Three months ended 30 September 2009	**Australia US$M**	**Namibia US$M**	**Malawi US$M**	**Consolidated US$M**
Sales to external customers	-	38.3	-	38.3
Other revenue	0.1	-	-	0.1
Total segment revenue	**0.1**	**38.3**	**-**	**38.4**
Unallocated revenue				0.2
Total consolidated revenue				**38.6**
Segment (loss)/profit before income tax and finance costs	(10.1)	11.5	(0.2)	1.2
Finance costs	(4.7)	(0.5)	-	(5.2)
Loss before income tax expense				(4.0)
Income tax benefit/(expense)	0.4	(15.5)	(0.9)	(16.0)
Loss after income tax benefit				**(20.0)**
Depreciation and amortisation	(0.3)	(3.6)	-	(3.9)
As at 30 June 2010				
Property, plant and equipment and mine development	7.9	211.4	441.0	660.3
Non current assets	597.6	305.1	539.0	1,441.7
Segment assets/total assets	**937.1**	**404.2**	**616.3**	**1,957.6**

NOTE 4. REVENUE AND EXPENSES

	Three Months Ended 30 September	
	2010 US$M	**2009 US$M**
(a) Revenue		
Sale of uranium	48.4	38.3
Interest income from non-related parties	0.5	0.2
Database licence revenue	0.1	0.1
Sundry income	0.1	-
Total revenue	49.1	38.6
(b) Other expenses		
Impairment of inventory	(3.0)	-
Foreign exchange loss (net)	(3.0)	(1.2)
Total other expenses	(6.0)	(1.2)
(c) Finance costs		
Interest expense	(8.3)	(1.0)
Accretion relating to convertible bonds (non- cash)	(2.8)	(2.8)
Mine closure provision discount interest expense	(0.6)	(0.5)
Facility costs	(1.4)	(0.9)
Total finance costs	(13.1)	(5.2)

NOTE 5. CASH AND CASH EQUIVALENTS

	30 September 2010 US$M	30 June 2010 US$M
Cash at bank and in hand	6.3	13.6
Short-term bank deposits	268.9	335.2
Total cash and cash equivalents	275.2	348.8

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

NOTE 6. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	-	14.2
Less provision for doubtful debts	-	-
Net trade receivables	-	14.2
Interest receivables	0.4	0.2
GST and VAT	9.7	11.0
Sundry debtors	9.2	6.9
Total current receivables	19.3	32.3
Non Current		
Sundry debtors	0.3	0.3
Total non current receivables	0.3	0.3

NOTE 7. INVENTORIES

Current		
Stores and spares (at cost)	22.1	17.9
Stockpiles (at cost)	12.5	8.4
Work-in-progress (at cost)	5.8	4.7
Finished goods (at cost)	56.9	58.4
Finished goods (at net realisable value)	49.6	19.9
Total current inventories at the lower of cost and net realisable value	146.9	109.3
Non Current		
Stockpiles (at cost)	42.1	40.8
Total non current inventories at the lower of cost and net realisable value	42.1	40.8

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

	30 September 2010 US$M	30 June 2010 US$M
Plant and equipment – at cost	535.6	531.3
Less accumulated depreciation	(44.2)	(35.5)
Total plant and equipment	491.4	495.8
Land and buildings – at cost	10.2	9.7
Less accumulated depreciation	(1.1)	(1.0)
Total land and buildings	9.1	8.7
Construction work in progress – at cost	60.6	36.6
Total property, plant and equipment	561.1	541.1

NOTE 9. MINE DEVELOPMENT

	30 September 2010 US$M	30 June 2010 US$M
Mine development	125.8	124.8
Less accumulated depreciation	(9.3)	(5.6)
Total mine development	116.5	119.2

NOTE 10. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the expenditures on interests in mineral properties by area of interest for the three months ended 30 September 2010:

Areas of interest	**Valhalla /Skal [1] US$M**	**Isa North US$M**	**Fusion US$M**	**Angela/ Pamela US$M**	**Bigrlyi US$M**	**KM US$M**	**LHM US$M**	**Other US$M**	**Total Uranium US$M**
Balance 30 June 2010 (audited)	**529.1**	**126.0**	**8.5**	**-**	**15.2**	**-**	**-**	**1.2**	**680.0**
Project exploration and evaluation expenditure									
Labour	0.2	0.3	-	0.2	0.1	-	-	0.2	1.0
Outside services	1.3	0.5	0.2	0.6	0.3	0.1	-	-	3.0
Other expenses	0.4	0.2	0.1	0.1	0.1	0.1	-	0.2	1.2
Total expenditure	1.9	1.0	0.3	0.9	0.5	0.2	-	0.4	5.2
Exploration expenditure expensed	(1.9)	(1.0)	(0.3)	(0.9)	(0.5)	(0.2)	-	(0.4)	(5.2)
Exploration expenditure capitalised	-	-	-	-	-	-	-	-	-
Foreign exchange differences	67.6	15.9	1.1	-	2.0	-	-	0.2	86.8
Balance 30 September 2010 (unaudited)	**596.7**	**141.9**	**9.6**	**-**	**17.2**	**-**	**-**	**1.4**	**766.8**

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

NOTE 11. INTANGIBLE ASSETS

	30 September 2010 US$M	30 June 2010 US$M
Cost	27.8	27.8
Accumulated amortisation	(3.5)	(3.2)
Net carrying amount of non current intangible assets	24.3	24.6

NOTE 12. INTEREST BEARING LOANS AND BORROWINGS

	Maturity	30 September 2010 US$M	30 June 2010 US$M
Current			
Secured bank loans		40.3	47.9
Non Current			
Unsecured convertible bonds	2011	239.0	236.7
Unsecured convertible bonds	2013	311.5	310.1
Secured bank loan	2012	24.0	24.0
Secured bank loan	2015	102.8	111.4
Total non current interest bearing loans and borrowings		677.3	682.2

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

NOTE 13. PROVISIONS

	30 September 2010 US$M	30 June 2010 US$M
Current		
Social responsibility	0.7	1.3
Other provision	6.7	5.9
Employee benefits	3.3	2.9
Total current provisions	10.7	10.1
Non Current		
Social responsibility	0.2	0.2
Employee benefits	0.1	0.1
Rehabilitation provision	33.3	31.3
Demobilisation provision	2.1	1.9
Total non current provisions	35.7	33.5

NOTE 14. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Ordinary shares	**Number of Shares**	**Number of Shares**	**US$M**	**US$M**
Issued and fully paid	718,423,382	717,142,802	1,476.2	1,475.5

(b) Movements in ordinary shares on issue

Date		Number of Shares	Issue Price A$	Exchange Rate US$: A$	Total US$M
Balance 30 June 2009		623,692,802			1,111.6
September 2009	Share placement	93,450,000	4.60	1.14890	374.2
	Transaction costs				(10.3)
Balance 30 September 2009		**717,142,802**			**1,475.5**
Balance 30 June 2010		717,142,802			1,474.6
September 2010	Vesting of share rights	750,000(1)	-	-	-
September 2010	Vesting of share rights	530,580	-	-	-
	Transfer from reserves				1.8
	Transaction costs				(0.2)
Balance 30 September 2010		**718,423,382**			**1,476.2**

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

EXPRESSED IN US DOLLARS

NOTE 14. CONTRIBUTED EQUITY (continued)

(c) Options

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

	30 September 2010 Number
Number of unlisted employee options	12,679,794

Consisting of the following:

Date options granted	Exercisable	Expiry date	Exercise price of options	Number under option
1 February 2007	1 February 2010	1 February 2012	A$8.77	2,694,270
29 January 2008	29 January 2011	29 January 2013	A$4.50	7,060,524
15 February 2008	15 February 2011	15 February 2013	A$5.37	300,000
18 April 2008	18 April 2011	18 April 2013	A$4.59	1,075,000
14 October 2008	14 October 2011	14 October 2013	A$2.54	750,000
11 December 2008	11 December 2011	11 December 2013	A$2.07	300,000
24 June 2009	24 June 2012	24 June 2014	A$4.48	500,000
Total				12,679,794

(d) Performance Share Rights

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

	30 September 2010 Number
Number of unlisted employee share rights	4,670,220

Consisting of the following:

Date rights granted	Vesting date	Vesting Performance Conditions	Number
26 March 2010	26 March 2013	Relative total shareholder return	150,000
26 March 2010	26 March 2013	Earnings per share	150,000
26 March 2010	1 September 2011	Time based	688,370
26 March 2010	1 September 2012	Time based	1,143,950
26 March 2010	1 September 2012	Relative total shareholder return	915,160
26 March 2010	1 September 2012	Market price	1,372,740
8 July 2010	1 September 2012	Relative total shareholder return	100,000
8 July 2010	1 July 2013	Market price	150,000
Total			4,670,220

NOTE 15. CONTINGENT LIABILITIES

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

Legal actions

Mount Isa Uranium Joint Venture

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

Areva NC (Australia) Pty Ltd (Areva), being a 10.01% shareholder of the parent company of SRA subsequently applied to the Supreme Court of Western Australia for, relevantly, orders under Section 237 of the Corporations Act 2001, to be granted leave to intervene in and effectively re-open the Summit Proceedings, notwithstanding the settlement (Areva intervention proceedings). The trial of the Areva intervention proceedings was heard over the period from 18 May 2009 to 3 June 2009 and the Court reserved its decision.

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

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

The benefits of the settlement for the Company include that:

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

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

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

APPENDIX A

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

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

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the "interim filings") of Paladin Energy Limited for the interim period ended 30 September 2010.

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

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

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

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

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

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

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

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

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

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

5.3 Limitation on scope of design: N/A

6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on 1 July 2010 to 30 September 2010 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Dated: 12 November 2010

John Borshoff
Managing Director/CEO

APPENDIX A

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

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

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the "interim filings") of Paladin Energy Limited for the interim period ended 30 September 2010.

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

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

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

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

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

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

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

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

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

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

5.3 Limitation on scope of design: N/A

6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on 1 July 2010 to 30 September 2010 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Dated: 12 November 2010

Garry Korte
Chief Financial Officer