PALADIN ENERGY LTD
ACN 061 681 098

Ref: 218452

13 May 2011

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

By Electronic Lodgement

Dear Sir/Madam

31 March 2011 Interim Financial Report and MD&A

Attached please find the Interim Financial Report for the nine months ended 31 March 2011 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

Level 4, 502 Hay Street, Subiaco, Western Australia 6008 Postal: PO Box 201, Subiaco, Western Australia 6904
Tel: +61 (8) 9381 4366 Fax: +61 (8) 9381 4978 Email: paladin@paladinenergy.com.au Website: www.paladinenergy.com.au

PALADIN ENERGY LTD

ACN 061 681 098

NEWS RELEASE **For Immediate Distribution**

FINANCIAL REPORT FOR THE NINE MONTHS ENDED 31 MARCH 2011

Perth, Western Australia – 13 May 2011: Paladin Energy Ltd ("Paladin" or "the Company") **(TSX:PDN / ASX:PDN)** announces the release of its Financial Report for the nine months ended 31 March 2011. The Financial Report is appended to this News Release.

Results

(References to 2011 and 2010 below refer to the equivalent nine months ended 31 March 2011 and 2010 respectively.)

- **Production:**
  - Increased U_3O_8 production by 47% to 4,231,486lb in 2011 from 2,873,284lb in 2010.

- **Langer Heinrich Mine:**
  - Production increased 8% to 2,628,274lb in 2011 from 2,242,885lb in 2010.
  - Production for the March 2011 quarter of 795,808lb was down 14% on 925,000lb target due to adverse weather. Project is back to nameplate after rain event.
  - Stage 3 construction, to increase annual production to 5.2Mlb, is 92% complete with the front end entering the commissioning phase.
  - Feasibility Study for Stage 4 expansion targeting annual production of 10Mlb remains on schedule for completion in the December 2011 quarter.

- **Kayelekera Mine:**
  - Production increased 257% to 1,603,212lb in 2011 from 448,399lb in 2010.
  - Production for the March 2011 quarter increased 14% to 606,034lb over the previous quarter.
  - Record March month production of 253,036lb, equivalent to 93% of design represents a step change.
  - Study continuing on design of the plant expansion to 3.8Mlb pa.
  - Bankers' completion test was re-started on 1 March 2011 due to power disruption. The first month of testing produced satisfactory results.

- **Sales:**
  - Total sales volume for 2011 of 3,713,000lb U_3O_8 was a 31% increase compared to the same period in 2010. The average realised uranium sales price for 2011 was US$56/lb U_3O_8.
  - Record March 2011 quarter sales of 1,396,000lb achieved at an average realised price of US$66/lb.

- **Cost of Sales (C1):**
  - Langer Heinrich Mine cost of sales (C1) for 2011 remained relatively stable at US$27/lb, despite a 7% appreciation of the Namibian Dollar. Stronger Namibian dollar increased March 2011 quarter cost slightly to US$28/lb.

  - Kayelekera Mine cost of sales (C1) for nine months and three months ended 31 March 2011 remained at US$51/lb. This reflects the higher costs incurred during the production ramp-up phase in the second half of CY2012 when volumes were lower. With increased production, cost of sales will reduce once delay from cost of production feeds through to sales.

- **Cash Flow:**
  - Positive cash flow of US$65.1M generated by the Langer Heinrich and Kayelekera operations for 2011 before US$81.2M investment in working capital, mainly inventory, to fill the stock pipeline to the converter needed to support higher production and sales levels.

- For the March 2011 quarter the Langer Heinrich and Kayelekera operations generated US$28.3M positive cash flow before US$15.9M investment in working capital. Net cash outflow from operations before interest for the March 2011 quarter was US$0.3M, a significant reduction from the US$39.3M for the previous quarter.

- **Acquisition of Aurora and NGM:**
  - Acquisition of the Aurora uranium assets in Canada added 83.8Mlb U_3O_8 of Measured and Indicated Mineral Resources at a grade of 0.09% and 53.0Mlb U_3O_8 of Inferred Mineral Resources at a grade of 0.08%. Aurora represents a major addition to Paladin's project development pipeline.
  - Completion of the takeover of NGM Resources Ltd represented a significant addition to Paladin's portfolio of uranium exploration projects. This establishes a presence in Niger, a major underexplored uranium province. A scout drilling programme has commenced.

- **Funding:**
  - Strong balance sheet at 31 March with US$181.3M in cash invested with Australian banks with a minimum AA Standard & Poor's credit rating.
  - A letter of offer has been signed with lenders for a US$141M Langer Heinrich Stage 3 project financing facility, to replace existing project financing and reimburse Stage 3 construction costs. This letter is subject to completion of conditions precedent prior to drawdown.

- **Capital Raising:**
  - Successful raising of US$300M via the issue of 5 year convertible bonds expiring November 2015. Existing US$250M convertible bonds expiring December 2011 were bought back.

- **Resource Upgrades:**
  - **Valhalla** increased Measured and Indicated Mineral Resources by 5.6% to 63.4Mlb U_3O_8 with an additional 12.8Mlb U_3O_8 Inferred Mineral Resources.
  - **Odin** adds an Inferred Mineral Resource of 10.3Mlb U_3O_8 at a grade of 0.06%, increasing the Mount Isa projects' inventory.
  - **Bikini** adds 18% in contained metal for a total Indicated Mineral Resource of 6.3Mlb and an Inferred Mineral Resource of 7.3Mlb, both at a grade of 0.05%, further increasing the Mount Isa projects' inventory.

- **Summit Resources Ltd:**
  - Paladin settled its dispute with Areva NC (Australia) Pty Ltd (Areva). The settlement paves the way for Paladin and Areva to work co-operatively as shareholders of Summit Resources Ltd and ensures that Paladin controls the Mount Isa projects' sales and marketing rights.

- **Profit and Loss**

	3 months to 31 March 2011 US$M	**3 months to 31 March 2010 US$M**	**9 months to 31 March 2011 US$M**	**9 months to 31 March 2010 US$M**
Revenue	**92.9**	**53.3**	**208.7**	**154.5**
Gross profit	**18.4**	**14.0**	**39.3**	**43.6**
Exploration	(0.8)	(0.1)	(1.8)	(1.8)
Corporate costs	(14.9)	(9.3)	(39.9)	(28.0)
Non-recurring income & expenses	1.2	(1.1)	(7.1)	5.0
Earnings before interest and tax	**3.9**	**3.5**	**(9.5)**	**18.8**
Finance costs	(14.6)	(5.3)	(48.3)	(16.1)
Loss before income tax	(10.7)	(1.8)	(57.8)	2.7
Income tax (benefit)/expense	(1.2)	(2.0)	20.3	(18.1)
Loss after income tax	(11.9)	(3.8)	(37.5)	(15.4)
Non-controlling interests	(1.6)	(0.1)	2.8	0.2
Net loss after tax	(13.5)	(3.9)	(34.7)	(15.2)

- Revenue increased to a record US$92.9M for the three months and to US$208.7M for the nine months ended March 2011 due to increased uranium sales volumes and the higher realised uranium sales price. This resulted in an increased gross profit for the March 2011 quarter of US$18.4M.

- Corporate costs include non-cash expenses of US$11.3M for the nine and US$2.9M for the three months ended March 2011 as well as costs associated with the Canadian and African operations of US$11.8M for the nine months and US$4.7M for the three months ended March 2011.

- Positive earnings before interest and tax of US$3.9M for the March 2011 quarter was driven by higher sales revenue.

- Increased finance costs for 2011 (quarter and nine months) reflect the cessation of the capitalisation of costs with the Kayelekera Mine entering commercial production on 1 July 2010 and US$6.3M in the nine months to 31 March 2011 related to the buyback of the convertible bond.

The documents comprising the Financial Report for the nine months ending 31 March 2011, 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 17 May 2011.
19:00 Toronto, Monday 16 May 2011 and 24:00 London, Monday 16 May 2011.

Details were included in a separate news release made on 3 May 2011.

Contacts

For additional information, please contact:

John Borshoff
Managing Director/CEO
Tel: +61-8-9381-4366 or Mobile: +61-419-912-571
Email: john.borshoff@paladinenergy.com.au

Garry Korte
Chief Financial Officer
Tel: +61-8-9381-4366 or Mobile: +61-409-875910
Email: garry.korte@paladinenergy.com.au

Greg Taylor
Investor Relations Contact
Tel: +905 337-7673 or Mobile: +416-605-5120 (Toronto)
Email: greg.taylor@paladinenergy.com.au

Nicole Adshead-Bell
Manager Corporate Development
Mobile: +1-778-999-4665 (Vancouver)
Email: nicole.ab@paladinenergy.com.au

PALADIN ENERGY LTD

A.C.N. 061 681 098

FINANCIAL REPORT

FOR THE NINE MONTHS ENDING

31 MARCH 2011

Table of Contents – Third Quarter Report 31 March 2011

(All figures are in US dollars unless otherwise indicated)

SAFETY

Safety throughout the Company continues to improve with the 12 month moving average Lost Time Injury Frequency rate (LTIFR) decreasing from 2.0 to 1.2 during the quarter, although one Lost Time Injury (LTI) was recorded at its Langer Heinrich Mine (LHM). The LTI involved an operator sustaining a finger injury when his thumb was severed in the process of unblocking the product centrifuge. There were no LTIs at Kayelekera Mine (KM) or within exploration. At LHM, a 4 Star Platinum rating with an improved overall performance was confirmed in an external safety, health and environment National Occupational Safety Association (NOSA) audit. Implementation of the NOSA safety system continues as the main focus at Kayelekera in preparation for a similar external safety, health and environmental audit in the fourth quarter of this fiscal year.

QUARTERLY URANIUM SALES

Sales for the quarter were 1,395,500lb U_3O_8 generating record revenue of US$92.5M, representing an average sales price of US$66.28/lb U_3O_8 (versus average Ux spot price for the quarter was US$67.10/lb U_3O_8).

The Ux spot price moved in a range from US$62.50/lb U_3O_8 at the end of December 2010 to US$73.00/lb U_3O_8 in early February 2011 before closing back at US$62.50/lb U_3O_8 at the end of March 2011. The Ux long term price indicator rose from US$65/lb U_3O_8 to US$72/lb U_3O_8 during the quarter.

QUARTERLY PRODUCTION

The March quarter production was 1,401,812lb, a decrease of 4% from the previous quarter as shown in the table below.

LHM + KM	Mar qtr	June qtr	Sept qtr	Dec qtr	**Mar Qtr**
Production lb U_3O_8	1,157,375	1,442,842	1,362,713	1,466,932	**1,401,812**

LANGER HEINRICH MINE (LHM), Namibia

Production

LHM	June qtr	Sept qtr	Dec qtr	**Mar qtr**
Production lb	927,373	899,735	932,731	**795,808**

Abnormal rainfall, 10 times greater than the annual average, in the 3 month period ending March, particularly during the latter part of the quarter, impacted production due to restricted access to higher-grade mining areas and increased difficulty in treating wet ore. As a consequence, the lower run of mine grades could not be offset by higher throughput at the front end of the plant.

The production for the quarter was 795,815lb U_3O_8 versus nameplate 925,000lb, resulting in a shortfall of 14%.

Mining

Mining activities progressed prior to Stage 3 initiation, with three working areas, including pits B2 & B3 and the Pit A cutback, expected to supply feed ore in 2011.

(All figures are in US dollars unless otherwise indicated)

	Oct	Nov	Dec	Jan	Feb	Mar
Ore mined (t)	408,185	154,824	34,594	119,528	329,200	392,512
Grade (ppm)	790	690	593	597	717	645
Additional low grade ore mined (t)	116,270	59,424	41,602	54,169	128,797	177,479
Grade (ppm)	337	351	307	287	306	308
Waste/Ore ratio	1.77	6.62	33.01	8.53	2.46	1.85
Ore crushed, dt	173,100	187,900	214,800	206,500	180,000	185,700
Ore grade ppm U_3O_8	1036	915	844	804	792	740

Mining during the quarter was significantly impacted by wet weather because some of the planned mining areas were inaccessible at times and the mining plan could not be executed according to schedule. This resulted in an average run of mine ore grade of 779ppm U_3O_8 to the plant compared to the design grade of 850ppm U_3O_8.

Process Plant

Operational Data

	Oct	Nov	Dec	Jan	Feb	Mar
Ore milled	173,070	187,920	214,760	**206,548**	**180,323**	**185,700**
Grade	1037	915	844	**804**	**792**	**740**
Scrub efficiency	89.5	89.1	84.9	**89.9**	**90.9**	**90.3%**
Leach efficiency	88.9	92.9	94.2	**95.5**	**95.4**	**93.4%**
Wash efficiency	81.7	72.5	65.9	**67.4**	**76.9**	**68.7%**
Overall recovery	78.7	80.2	77.1	**78.4**	**84.5**	**77.1%**

Tonnage through the process plant remained consistent with the previous quarter with a throughput of 572,500dt (dry tonnes) of ore crushed (575,700dt in the December quarter). In addition to maintaining consistent throughput, the plant proved during the months of December and January that it is capable of processing at rates in excess of 200,000dt per month. The inclement weather, however, caused lower throughputs during February and March.

Performance of the front end circuits encountered some challenges during the quarter due to wet ore. These were mainly associated with occasional blockages of chutes and scrubbers, which were unable to operate as rainy conditions caused slippage of the drive mechanisms. The scrubbing efficiency improved from 87.8% in the December quarter to 90.3%.

The leaching circuit had an improved extraction rate of 94.8% due to permanent inclusion of the pilot flash splash heat exchanger in the Stage 2 leach circuit. The pilot plant had originally been installed to gather data for designing the larger Stage 3 unit, but has proved to be so successful that the decision was made to incorporate the equipment as a permanent feature to the existing leach circuit.

Ion Exchange performance was slightly down for the quarter, with the wash efficiency reducing from 73.3% to 70.8%. This efficiency is expected to improve marginally until the Stage 3 NIMCIX equipment comes on line, at which time wash efficiency is forecast to significantly improve.

Tailings

The construction work on the first in-pit tailings facility (TSF 2) advanced well during the quarter and is 99% complete. The facility will be ready to receive material from the Stage 3 expansion once fully commissioned.

Stage 3

The Langer Heinrich Stage 3 expansion project is progressing and has entered the commissioning phase with the front end feed preparation and crushing and scrubbing circuit. Once fully commissioned, during May, the increased throughput capacity and scrubbing efficiency at the front end is expected to quickly add to the production capacity of the processing plant.

The project has achieved one million man hours without a lost time injury. Final construction works continue and commissioning activities in the CCD area will be next to commence staged ramp-up.

Construction works in the NIMCIX and associated processing areas are behind schedule due to a combination of wet weather and delays in delivery of the electrical control panels and some steam boiler ancillary equipment. Completion of the NIMCIX area is now scheduled for late in the June quarter.

The total project is 92% complete.

Stage 4

The Stage 4 Feasibility Study remains on schedule for completion in the December 2011 quarter. The EIA documentation is almost ready for final submission and work on the process design of the new plant, targeting a combined 8.7Mlb pa production level, has advanced significantly. A new mining design and production schedule has been completed and a conceptual design for the tailings deposition is being reviewed.

Proposed Changes to Namibian Mineral Policy will not affect Paladin Interests

On 29 April 2011, Paladin advised that, following discussions with the Government of Namibia, Paladin believed that ownership and operations of its wholly-owned Namibian subsidiary company, Langer Heinrich Uranium (Pty) Ltd, would not be affected by foreshadowed changes to the administration of Namibia’s minerals and mining sector.

This followed market comment in regard to a statement by the country’s Minister for Mines and Energy, Mr Isak Katali, in relation to an expanded role for the State-owned mining company, Epangelo Mining (Pty) Ltd, in the ownership and development of specific strategic minerals, including uranium.

Paladin welcomed the media statement released by the Minister on 10 May 2011 clarifying the proposed changes to The Minerals Act. In his statement he advised:

“The existing exploration and mining licenses will not be affected”.

Importantly Mr Katali also stated that the proposed changes should in no way be construed to indicate that the Government of Namibia intended to nationalise the mining industry.

(All figures are in US dollars unless otherwise indicated)

KAYELEKERA MINE (KM), Malawi

Production

Kayelekera	June qtr	Sept qtr	Dec10 qtr	**Mar qtr**
Production/lb	515,478	462,977	534,201	**606,034**

Kayelekera had record production with a step-change in plant performance achieved during the quarter. The major breakthrough occurred in the RIP circuit and by late January resin management (material handling and screening) reached near-design performance resulting also in increased efficiencies in the elution section. The six days lost due to the national diesel shortage reduced February production by nearly 45,000lb U_3O_8. March production averaged 93% of nameplate.

Overall recovery levels continue to improve, significantly contributing to higher production levels and lower unit costs.

Mining

	Sept qtr	**Dec qtr**	**Mar qtr**
Ore mined (t)	319,882	228,358	**123,626**
Grade (ppm)	1813	1632	**906**
Additional low grade mined (t)	122,226	87,497	**121,742**
Grade (ppm)	513	514	**526**
Waste (t)	538,374	531,233	**343,768**

Process Plant

Operating data

	Oct	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Operating hrs	473	389	518	**481**	**389**	**587**
Mill feed, dry tons	78,143	67,706	82,915	**73,767**	**58,860**	**89,806**
Grade (ppm)	1377	1351	1476	**1348**	**1613**	**1437**
Leach extraction	90.1	90.1	90.1	**88.3**	**90.5**	**90.0**
RIP efficiency	90.5	86.8	87.9	**92.9**	**94.6**	**91.7**
Overall recovery	82.1	71.8	79.2	**79.5**	**84.5**	**81.9**

March production of 253,036lb U_3O_8 (nameplate 275,000lb U_3O_8/month) is indicative of the results that can be expected at Kayelekera with improved RIP performance and consistent plant uptime. The 587 hours of operating time achieved in March was the highest recorded, by a significant margin, over the past six months.

The plant maintenance programme was upgraded and this has already had a significant impact on production levels with additional improvement expected as this regime becomes fully implemented.

The crushing/grinding circuit posed some throughput restriction due to rains associated with the current wet season. More importantly, mill modifications carried out during the February diesel shutdown period have significantly improved grinding availability, performance and efficiency.

Modified leach launders are to be installed by mid 2011. These will allow smoother operation at higher tonnages and improve extraction even further. Acid production on-site continues to meet demand.

Resin-in-Pulp maintenance issues are decreasing, primarily due to a methodical approach to materials of construction failures, leading to increased availability, smoother operation and improved results. Several tanks and pumps have been duplicated to provide redundancy and allow for repairs whilst maintaining operation. Resin movement is close to design levels enabling improved metal recovery and transfer of higher metal volumes. Minor changes to the back end of the plant (uranium precipitation and packaging) have led to an improved drumming rate. Modifications are also being investigated to allow a step change to enable achievement of design throughput in shorter operational hours.

Lender's Test

The 90 day continuous testing of 10 specific operational parameters, including tonnage throughput, grade reconciliation to resource model, overall recovery, production targets and unit costs, was re-started on 1 March. The first month of testing is producing satisfactory results.

Exploration

By the end of the March quarter, the rainy season was still active, delaying the start of exploration drilling, which will now start in mid May. Initial work will test deeper uranium mineralisation previously identified west of the current open cut.

Land Slippage

A land slippage has occurred above the plant area and investigations are underway to establish the work required to prevent further movement. This is likely to involve the cut-back of some material and the inclusion of drainage and competent material to ensure stability. An insurance claim to recover the associated costs has been lodged.

GUIDANCE STATUS

Guidance for FY2011 remains within the revised guidance range that has been given. The weather issues at Langer Heinrich hampering production and the loss of production due to the national diesel shortage at Kayelekera will push guidance to the lower limit of 6Mlb ±1% U_3O_8 from the 6Mlb to 6.3Mlb U_3O_8 previously stated.

NIGER

A scout-drilling programme for the three tenements in Niger has commenced. Drilling is under the local direction of ULC, a French-based company with extensive local experience, using Nigerien personnel. It is expected that, at current drilling rates, the 15,000m programme will be completed early in the second half of CY2011.

MOUNT ISA REGION PROJECTS, Queensland

The Mount Isa regional projects comprise Mount Isa Uranium Joint Venture (MIUJV) (Paladin Energy Ltd 50%, Summit Resources (Aust) Pty Ltd 50% Operator) and the Mount Isa North Uranium Project (MINUP) (Summit Resources (Aust) Pty Ltd 100% - Paladin holds 82% of Summit).

The persistence of the wet season has delayed the planned start of the drilling in the March quarter. However, the drill programme has now begun at the Andersons deposit due to access restrictions at Skal and an updated resource estimate for Skal is expected in the September quarter of 2011 following completion of the delayed drill programme.

Bikini Uranium Deposit

Following completion of drilling at the Bikini deposit (MINUP) in late 2010, an updated Mineral Resource estimate conforming to the JORC (2004) and NI 43-101 guidelines has been finalised. The resource dataset contains 180 drill holes for a total of 52,236m. The updated Mineral Resource estimate is 5.77Mt at a grade of 497ppm U_3O_8 for 2,868t (6.3Mlb) U_3O_8 in the Indicated Mineral Resource category and 6.7Mt at a grade of 493ppm U_3O_8 for 3,324t (7.3Mlb) U_3O_8 in the Inferred Mineral Resource Category. Resources are quoted at a cut-off grade of 250ppm U_3O_8 and represent an 18% increase in contained metal over the previous resource. The updated Mineral Resource represents the inaugural Indicated Mineral Resource estimate for the deposit. Modelling parameters and estimation techniques are similar to those used in the previous Mineral Resource estimate.

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

A trial mud rotary drilling programme had been planned and this work was delayed until early April 2011 due to weather. The trial lasted for 1-2 weeks and was successful in confirming the quality, speed and cost effectiveness of this drilling type versus RC pre-collar and diamond drilling previously used. The high quantity of historic data has now been fully validated and incorporated into a resource dataset and an initial Mineral Resource estimate conforming to both JORC (2004) and NI43-101 guidelines is expected during the June 2011 quarter.

BIGRLYI URANIUM JOINT VENTURE, Northern Territory - Australia (Paladin 41.71%)

During the March quarter a number of studies were substantially completed by the Manager (Energy Metals Limited) within the scope of the Bigrlyi Preliminary Feasibility Study. This included mining (both open pit and underground), metallurgy, engineering, process design and environment. It is expected that this study, along with a detailed economic assessment for the project, will be completed during the June quarter. In parallel with the prefeasibility studies, an updated Resource estimate will be completed at the same time as planning for additional drilling around the existing deposits both along strike and at depth.

CORPORATE

Completion of the Acquisition of Aurora Uranium Assets

On 1 February 2011 Paladin completed the acquisition of the uranium assets of Aurora Energy Resources Inc. (“**Aurora**”) from Fronteer Gold Inc. (TSX-FRG, AMEX-FRG) (“**Fronteer**”) (see December 20, 2010 news release). Paladin now holds title to significant uranium assets across six deposits within the highly prospective Central Labrador Mineral Belt of Eastern Canada, totalling 83.8Mlb of Measured and Indicated Resources and 53.0Mlb of Inferred Resources.

The transaction was completed for a total consideration of C$260.87M (US$260.6M) via the issuance of 52,097,937 ordinary shares in Paladin, valuing the current resources at US$1.90/lb.

With completion of this transaction, Fronteer held approximately 6.7% of Paladin’s ordinary shares, subject to a four-month hold period under Canadian securities laws. Fronteer also entered into an agreement that set out procedures designed to ensure that any disposition of shares by Fronteer will occur in an orderly fashion. Following the announcement of the takeover of Fronteer by Newmont Mining Corporation (Newmont) this shareholding transferred to Newmont, which will assume all obligations under the agreements.

Mark Chalmers takes on role of Executive General Manager – Production

Mark Chalmers has been appointed, Executive General Manager – Production, with effect from 28 April 2011. Mark Chalmers has 30 years of international uranium experience, a large part of which has been associated with project development and operations in the US, Australia, Kazakhstan and Kyrgyzstan. He has also worked on gold projects in Ghana. Mark qualified as a Mining Engineer from the University of Arizona in 1980. He has worked for Energy Fuels Nuclear, Cameco, Heathgate (the Australian subsidiary of General Atomic) and until recently was Managing Director of Uranium Equities Ltd (an ASX listed exploration company). Mark has worked in all facets of uranium mining and his technical and management skills are well suited to this role. His appointment gives assurance that the Company's production activities will continue to be well managed.

Wyatt Buck left the Company in May having decided to change direction and depart the uranium sector. He has taken a senior role with a company focussed on other commodities.

URANIUM MARKET COMMENTS - Fukushima

The international media's obsession with the emergency at the Fukushima Dai-ichi nuclear power plants has cast a spotlight on the question of the safety of nuclear power out of context with the enormous tragedy of the natural events, which caused such widespread death and destruction. The Japanese authorities' recent decision to upgrade the severity of the Fukushima to emergency level 7 on the INES scale, which is the same category that covered the Chernobyl accident in 1986 (although the Fukushima events are not comparable to Chernobyl), has stimulated still more ill-informed claims that nuclear power is inherently unsafe. No responsible person could assert that the Fukushima events in any way undermine the fundamental safety of more than 400 nuclear plants operating worldwide today.

The Fukushima event will cause a prudent review of reactor design and siting criteria where appropriate, and may result in some delays in some of the planned reactor builds. However, nuclear power still has an impressive safety record when judged alongside other energy sources. Nuclear power provides at least 14% of global electricity production today, and is the only technology that can produce large quantities of base load energy with minimal carbon emissions throughout its entire fuel cycle. The world cannot abandon nuclear power anymore than it can abandon economic growth or electricity production. The market for uranium will not change significantly in the aftermath of the Fukushima emergency unless financial markets temporarily withdraw support for new uranium producers, which will exacerbate present and predicted uranium supply shortfalls. The uranium supply/demand imbalance is real and will widen as existing and new plants under construction continue to consume current and future uranium production capacity.

Paladin is extremely well positioned in this context. It has two modern mining operations at the beginning of their life cycles with capital expenditure essentially completed for expansion from the current annual production nameplate of 7Mlb to 8.5Mlb U_3O_8.

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 nine months ended 31 March 2011. The effective date of this report is 13 May 2011.

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 nine months ended 31 March 2011 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, Africa and Canada, 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 (TSX) in Canada; as well as the Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe; and the Namibian Stock Exchange in Africa.

The main activities undertaken during the nine months ended 31 March 2011 were:

- Increased production results achieved on both operating sites:
  - LHM 2,628,274lb up 8% on comparative nine months basis.
  - KM 1,603,212lb up 257% on comparative nine months basis.

- The Company's 12 month average Lost Time Injury Frequency Rate (LTIFR) decreased from 2.0 to 1.2 during the March quarter.

- Expansions:
  - LHM Stage 3 is 92% complete and the front end has entered the commissioning phase.
  - LHM Stage 4 Feasibility Study remains on schedule for completion in the December quarter.

- Sales of 3,713,000lb U_3O_8 at an average realised price of US$56/lb.

- Acquisition of the Aurora uranium assets in Canada adding 83.8Mlb of Measured and Indicated and 53.0Mlb of Inferred Resources to Paladin's development pipeline.

- Resource upgrades:
  - Odin added an Inferred Mineral Resource of 10.3Mlb U_3O_8 at a grade of 0.06% to the Mount Isa projects' inventory.
  - Bikini deposit in Mount Isa updated resources add 18% in contained metal for a total Indicated Resource of 6.3Mlb and an Inferred Resource of 7.3Mlb, both at a grade of 0.05%.

- Corporate:
  - US$300M raised via a five year Convertible Bond expiring Nov 2015.
  - Existing US$250M Convertible Bond expiring Dec 2011 successfully bought back.
  - Completion of takeover of NGM Resources Ltd.

SUMMARISED INCOME STATEMENT

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2011 US$M	**2010 US$M**	**2011 US$M**	**2010 US$M**
Revenue	**92.9**	**53.3**	**208.7**	**154.5**
Gross profit	**18.4**	**14.0**	**39.3**	**43.6**
Exploration and evaluation expenses	(0.8)	(0.1)	(1.8)	(1.8)
Other expenses and income	(13.7)	(10.4)	(47.0)	(23.0)
Earnings Before Interest and Tax	3.9	3.5	(9.5)	18.8
Finance costs	(14.6)	(5.3)	(48.3)	(16.1)
Income tax (expense)/benefit	(1.2)	(2.0)	20.3	(18.1)
Loss after tax	(11.9)	(3.8)	(37.5)	(15.4)
(Loss)/profit after tax attributable to:				
Non controlling interests	1.6	0.1	(2.8)	(0.2)
Members of the parent	**(13.5)**	**(3.9)**	**(34.7)**	**(15.2)**
	(11.9)	**(3.8)**	**(37.5)**	**(15.4)**
Loss per share - basic & diluted (US cents)	(1.8)	(0.5)	(4.7)	(2.2)

Three Months Ended 31 March 2011

(References below to 2011 and 2010 refer to the equivalent three months ended 31 March 2011 and 2010 respectively.)

Revenue increased from US$53.3M to US$92.9M in 2011 as a result of increased sales of uranium of US$92.5M (2010: US$52.7M). Total sales volume for the quarter was 1.396Mlb U_3O_8 (2010: 1.043Mlb). LHM sold 0.386Mlb U_3O_8, KM sold 0.810Mlb U_3O_8 and Paladin Nuclear Ltd sold 0.200 Mlb U_3O_8. Total production for the quarter was 1.402Mlb U_3O_8 (2010: 1.157Mlb). LHM produced 0.796Mlb U_3O_8 (2010: 0.928Mlb) and KM produced 0.606Mlb U_3O_8 (2010: 0.229Mlb). The average realised uranium sales price in 2011 was US$66/lb U_3O_8 (2010: US$50/lb).

Delivery quantities under sales contracts are not evenly distributed from month to month, which results in fluctuations between production and sales between reporting periods.

Gross Profit in 2011 of US$18.4M is higher than in 2010 (US$14.0M) as a result of higher average uranium sales prices and increased sales volumes. The cost of sales (C1) for LHM in 2011 increased to US$28/lb U_3O_8 due to abnormal rainfall, ten times greater than the annual average, which impacted production due to restricted access to higher-grade mining areas and increased difficulty in treating wet ore. As a consequence, the lower run of mine grades could not be offset by higher throughput at the front end of the plant (2010: US$26/lb). The cost of sales (C1) for KM in 2011 was US$51/lb U_3O_8 (2010: capital phase). 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. An explanation of how the higher costs during production ramp-up at KM have affected the March 2011 quarter C1 cost of sales is provided in the last paragraph on page 16.

Exploration and Evaluation Expenditure of US$0.8M in 2011 were related to very early stage work and project generation activities in Australia and Malawi.

Other Expenses and Income has increased from US$10.4M to US$13.7M due to higher corporate costs associated with expanded operations.

Finance Costs have increased by US$9.3M to US$14.6M despite average borrowings year on year remaining fairly static due to a proportion of the interest payable in 2010 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$325.0M convertible bonds issued 11 March 2008, the US$300.0M convertible bonds issued 5 November 2010, US$127.9M project finance for KM and US$32.3M project finance for LHM.

Income Tax Expense of US$1.2M is lower than the tax expense in 2010 of US$2.0M due to additional losses being recognised in the Australian tax group to largely offset the increase in deferred tax liabilities arising in respect of the US$300M convertible bond and fair value adjustments on investments.

Non-controlling Interest in net losses of US$1.6M has been recorded in 2011 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 members of the parent* for 2011 of US$13.5M is higher than the comparative quarter profit predominantly as a result of higher finance costs in 2011 after cessation of capitalisation of KM.

The Loss per Share noted on the Income Statement reflects the underlying result for the specific reported periods and the additional shares issued in 2011 compared to 2010.

<u>Nine Months Ended 31 March 2011</u>

(References below to 2011 and 2010 refer to the equivalent nine months ended 31 March 2011 and 2010 respectively.)

Revenue increased from US$154.5M to US$208.7M in 2011 as a result of increased sales of uranium of US$207.2M (2010: US$152.9M). Total sales volume for the nine months was 3.713Mlb U_3O_8 (2010: 2.841Mlb). LHM sold 2.273Mlb U_3O_8, KM sold 1.240Mlb U_3O_8 and Paladin Nuclear Ltd sold 0.200Mlb U_3O_8. Total production for the nine months was 4.231Mlb U_3O_8 (2010: 2.873Mlb). LHM produced 2.628Mlb U_3O_8 (2010: 2.425Mlb) and KM produced 1.603Mlb U_3O_8 (2010: 448.3Mlb). The average realised uranium sales price in 2011 was US$56/lb U_3O_8 (2010: US$54/lb).

Delivery quantities under sales contracts are not evenly distributed from month to month, which results in fluctuations between production and sales between reporting periods.

Gross Profit in 2011 of US$39.3M is lower than in 2010 (US$43.6M) as a result of higher overall cost of sales offset by higher average uranium sales prices and increased sales volumes. The cost of sales (C1) for LHM in 2011 remained relatively stable at US$27/lb U_3O_8 (2010: US$26/lb). The cost of sales (C1) for KM in 2011 was US$51/lb U_3O_8 (2010: capital phase). 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. An explanation of how the higher costs during production ramp-up at KM have affected the March 2011 quarter C1 cost of sales is provided in the last paragraph on page 16.

Exploration and Evaluation Expenditure of US$1.8M in 2011 were related to very early stage work and project generation activities in Australia and Malawi.

Other Expenses and Income has increased from US$23.0M to US$47.0M due to other income in 2010 of US$9.6M relating predominantly to an insurance recovery and in 2011, the recognition of an impairment of inventory expense of US$3.0M and higher corporate costs associated with expanded operations. The non-cash component related to share rights benefits increased from US$6.9M in 2010 to US$10.6M in 2011.

Finance Costs have increased by US$32.2M to US$48.3M despite average borrowings year on year remaining fairly static due to a proportion of the interest payable in 2010 on the convertible bonds and project finance being capitalised as part of the construction of KM and in 2011 the loss on the US$250M convertible bond buy back of US$4.6M and related deferred borrowing costs amortisation of US$1.7M. 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, the US$300.0M convertible bonds issued 5 November 2010, US$127.9M project finance loan for KM and US$32.3M project finance loan for LHM.

Income Tax Benefit of US$20.3M is slightly higher than would be expected from applying the tax rate to the loss before tax due to the additional losses being recognised for the Australian tax group to largely offset the deferred tax liabilities arising in respect of the US$300M convertible bond and the fair value adjustments on investments. The US$300M convertible bond and fair value adjustments and deferred tax associated with these adjustments are accounted through the reserves. 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 corresponding income tax benefit for the nine months. For 2010 the tax charge of US$18.1M was higher than the prima facie calculation amount due to the impact of foreign currency movements.

Non-controlling Interest in net losses of US$2.8M has been recorded in 2011 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 members of the parent* for 2011 of US$34.7M was higher than the loss after tax for 2010 of US$15.2M predominantly as a result of higher finance costs in 2011 after cessation of capitalisation of KM and other income in 2010 relating predominantly to an insurance recovery, which has partially been offset by the recognition in 2011 of an income tax benefit of US$20.3M, a turnaround from the tax charge of US$18.1M in 2010.

The Loss per Share noted on the Income Statement reflects the underlying result for the specific reported periods and the additional shares issued in 2011 compared to 2010.

Summary of Quarterly Financial Results

	2011 Mar Qtr US$M	2010 Dec Qtr US$M	2010 Sep Qtr US$M	2010 Jun Qtr US$M
Total revenues	92.9	66.7	49.1	49.8
Loss after tax	(13.5)	(17.7)	(3.5)	(23.6)
Basic and diluted loss per share (US cents)	(1.8)	(2.4)	(0.5)	(3.3)

	2010 Mar Qtr US$M	2009 Dec Qtr US$M	2009 Sep Qtr US$M	2009 Jun Qtr US$M
Total revenues	53.3	62.6	38.6	23.2
(Loss)/profit after tax	(4.0)	4.2	(15.4)	5.4
Basic and diluted (loss)/profit per share (US cents)	(0.5)	0.6	(2.3)	0.9

Total revenues for the quarters ended June 2010, September 2010, December 2010 and March 2011, have increased when compared to the equivalent comparative quarter as a result of higher sales volumes of uranium. Total revenues for all quarters ended December 2009 onwards 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.

Loss after tax for the quarter ended March 2011 of US$13.5M is higher than the comparative quarter loss predominantly as a result of higher finance costs in 2011 after cessation of capitalisation of KM.

Loss after tax for the quarter ended December 2010 of US$17.7M is higher than the comparative quarter profit predominantly as a result of higher finance costs in 2010 after cessation of capitalisation of KM and other income in 2009 relating predominantly to an insurance recovery, which has been partially offset by the recognition in 2010 of an income tax benefit of US$6.4M.

Loss after tax for the quarter ended September 2010 of US$3.5M was lower than the loss after tax for 2009 of US$15.4M 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.

Loss after tax for the quarter ended June 2010 of US$23.6M is higher than the comparative quarter profit 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$10.0M.

Segment Disclosure (refer to Note 4)

The profit before tax and finance costs of US$37.6M in the Namibian segment of the Company remained relatively stable when compared to 2010. In the Malawian segment the Company reflected a loss before tax and finance costs of US$8.9M when compared to 2010 reflecting loss on sale of inventory due to the higher cost of goods produced during ramp-up of production and the recognition of an impairment of inventory expense. An explanation of how the higher costs during production ramp-up at KM have affected the March 2011 quarter C1 cost of sales is provided in the last paragraph on page 16. Exploration activities have remained relatively consistent from 2010 to 2011. In the Unallocated portion the Company reflected the remaining Income Statement activities, which for 2011, comprises mainly marketing, corporate, finance and administration costs.

SEGMENT GROSS PROFIT

	MARCH 2011 QUARTER			DECEMBER 2010 QUARTER		
	LHM	KM	TOTAL	LHM	KM	TOTAL
Volume Sold (lb)	*586,000 (1)*	*810,000*	*1,396,000*	*944,000*	*330,000*	*1,274,000*
Average Sales Prices/lb			*US$66/lb*			*US$52/lb*
Revenue			US$92.5M			US$66.3M
Cost of Sales (C1)	US$16.5M	US$41.5M	US$58.0M	US$25.8M	US$16.9M	US$42.7M
Cost of Sales/lb (C1)	*US$28/lb*	*US$51/lb*	*US$41/lb*	*US$27/lb*	*US$51/lb*	*US$33/lb*
Profit after C1 costs			US$34.5M			US$23.6M
Other Revenue and Costs, mainly depreciation			US$16.1M			US$12.6M
GROSS PROFIT			**US$18.4M**			**US$11.0M**

(1)Includes 200,000lb of LHM produced U_3O_8 *sold by Paladin Nuclear Ltd, Paladin Energy Ltd's marketing company.*

Sales of 1,396,000lb U_3O_8 at an average of US$66/lb generated revenue of US$92.5M in the quarter ended 31 March 2011. Paladin Nuclear Ltd (PNL) sold part of its inventory holding previously purchased from LHM. This compares with sales of 1,274,000lb U_3O_8 at an average sales price of US$52/lb for the quarter ended 31 December 2010.

Cost of Sales (C1) for LHM in the quarter ended 31 March 2011 increased to US$28/lb U_3O_8 due to abnormal rainfall, ten times greater than the annual average, which impacted production due to restricted access to higher-grade mining areas and increased difficulty in treating wet ore. Additionally the 7% strengthening in the Namibian dollar from 7.33 at 1 July 2010 to 6.80 at 31 March 2011 impacted Cost of Sales (C1) reported in US$.

C1 cost of sales for KM remained at US$51/lb, which reflects the slower than anticipated ramp-up in previous quarters. This is as a result of stock being valued at average cost. The majority of KM's 810,000lb March 2011 quarter sales were made from the 1,028,000lb stock held at 31 December 2010. This stock was mainly produced during the period from 1 July 2010 to 31 December 2010 with production of 462,977lb in the September 2010 quarter and 534,201lb produced in the December 2010 quarter. Consequently, the cost of sales for the March 2011 quarter reflects the cost of production during the second half of CY2010 when costs were higher due to lower volumes during the production ramp up phase. Given the average cost approach, the timing of deliveries which sometimes occur at the beginning of a quarter and assuming that approximately four months of production is held in stock from time to time, it is not unexpected for a delay of six months to occur before current production costs are reflected in the cost of sales.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2011 US$M	2010 US$M	2011 US$M	2010 US$M
Net loss after tax from operations	**(11.9)**	**(3.8)**	**(37.5)**	**(15.4)**
Net (loss)/gain on available for sale financial assets	**(25.0)**	**(17.6)**	**23.4**	**(22.2)**
Transfer of available for sale reserve on acquisition	**-**	**-**	**(3.2)**	**-**
Foreign currency translation	**24.1**	**18.5**	**131.1**	**81.0**
Income tax on items of other comprehensive income	**6.2**	**3.2**	**(12.0)**	**5.5**
Total comprehensive (loss)/income for the period	**(6.6)**	**0.3**	**101.8**	**48.9**

Three months ended 31 March 2011

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

Net Loss on Available-for-Sale Financial Assets in 2011 of US$25.0M primarily relates to the fair value decrement in Deep Yellow Limited (DYL) (net of tax and foreign exchange movements) attributable to the decrease 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.

Nine months ended 31 March 2011

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

Net Gain on Available-for-Sale Financial Assets in 2011 of US$23.4M 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.

Transfer of Available-for-Sale Reserve on Acquisition relates to the transfer of US$3.2M for the NGM takeover to the cost of the investment.

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 31 March 2011 Unaudited US$M	As at 30 June 2010 Audited US$M
Total current assets	387.3	515.9
Total non current assets	2,050.8	1,467.8
Total assets	2,438.1	1,983.7
Total current liabilities	102.1	121.4
Total non current liabilities	925.4	879.8
Total liabilities	1,027.5	1,001.2
Net Assets	**1,410.6**	**982.5**

Current Assets have decreased to US$387.3M at 31 March 2011 due to a decrease in cash as well as trade and other receivables which have been partially offset by an increase in inventories.

Cash and cash equivalents have decreased to US$181.3M at 31 March 2011 as a result of expenditure on the Stage 3 expansion at LHM, investment in working capital required as a result of the increase in production levels at KM, principal repayments for both the LHM and KM project finance facilities, exploration and evaluation project expenditure, finance costs and corporate costs for the nine months ended 31 March 2011.

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.

Inventories have increased from US$109.3M to US$166.2M at 31 March 2011 due to increased stockpile and production volumes of 4.23Mlb U_3O_8 being larger than sales volume for the nine months of 3.71Mlb U_3O_8, reflecting the increase of stock in transit and converter stocks associated with increased production levels.

Finished goods, at cost and net realisable value, as at 31 March 2011, have increased by US$43.3M to US$121.6M mainly due to increased production at KM.

Non Current Assets have increased to US$2,050.8M at 31 March 2011 primarily as a result of the increase in the exploration assets due to the foreign exchange movement on the Australian dollar denominated exploration assets, the acquisition of NGM Resources Ltd and the Aurora Uranium Assets and the voluntary change in accounting policy to capitalise and carry forward exploration expenditure as an asset, (refer to Note 3). Property, Plant and Equipment has increased due to capital expenditure on the Stage 3 expansion at LHM and there was an increase in the fair value of other financial assets primarily attributable to the increase in the DYL share price.

Current Liabilities have decreased from US$121.4M to US$102.1M at 31 March 2011 primarily as a result of lower trade and other payables and a decrease in interest bearing loans and borrowings as a result of principal repayments for both the LHM and KM project finance facilities.

Non Current Liabilities have increased from US$879.8M to US$925.4M at 31 March 2011 primarily as a result of an increase in deferred tax liabilities. The deferred tax liabilities have increased due to the foreign exchange movement on deferred tax liabilities recognised on the acquisition of the Summit Group in Australia, an increase in the fair value of other financial assets attributable to the increase in the DYL share price, initial recognition of the US$300M convertible bond and a foreign exchange gain in Namibia.

Segment Disclosure (refer to Note 4)

In the Statement of Financial Position as at 31 March 2011, the Company reflected an increase in assets for the Namibian segment 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 increased production levels. Exploration assets increased predominantly due to the increases in value of Australian dollar denominated exploration assets, the acquisition of NGM Resources Ltd and the Aurora Uranium Assets and the voluntary change in accounting policy to capitalise and carry forward exploration expenditure as an asset, (refer to Note 3). The reduction in the Unallocated assets reflects the reduction in cash through investment in Stage 3 expansion, repayment of LHM and KM project finance facilities and exploration activities.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Nine Months Ended 31 March	
	2011 US$M	**2010 US$M**
Total equity at the beginning of the financial period	982.5	642.2
Total comprehensive income for the period	101.8	48.9
Recognised value of unlisted employee options	12.7	7.7
Movement in other reserves	21.5	-
Contributions of equity, net of transaction costs	292.1	364.1
Total Equity at the End of the Financial Period	**1,410.6**	**1,062.9**

Total Comprehensive Income for the Nine Months Ended 31 March 2011 is discussed under the Statement of Comprehensive Income section.

Recognised Value of Unlisted Employee Options and Performance Rights in 2011 totals US$12.7M. During the period, 960 employee options were exercised and 3,599,271 expired or were forfeited with an exercise price ranging from A$4.48 to A$8.77 per share. During the nine month period, 550,580 performance share rights vested and 4,292,117 performance share rights were granted with vesting dates ranging from 1 January 2011 to 15 November 2014. 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.

Movement in Other Reserves in 2011 of US$21.5M relates to the creation of the non-distributable reserve of US$28.1M from the issue of US$300M of convertible bonds on 5 November 2010 and a US$6.6M transfer to the convertible bond reserve as a result of the US$250M convertible bond buyback.

Contributions of Equity in 2011 of US$292.1M relates to the issue of 7,155,938 shares to acquire NGM Resources Limited, the non-controlling interest's participation in Summit Resources Limited's renounceable rights issue and the issue of 52,097,937 shares to acquire the uranium assets of

Fronteer Gold Ltd. The number of fully paid ordinary shares on issue at 31 March 2011 is 777,698,217, an increase of 60,555,415 during the nine month period. Share options of 9,168,524 and performance rights of 7,593,567 remain outstanding at 31 March 2011 to the employees and consultants directly engaged in corporate, mine construction, operations, exploration and evaluation work.

SUMMARISED STATEMENT OF CASH FLOWS

	Three Months Ended 31 March		**Nine Months Ended 31 March**	
	2011 US$M	**2010 US$M**	**2011 US$M**	**2010 US$M**
Net cash outflow from operating activities	(10.6)	(1.1)	(75.6)	(15.8)
Net cash outflow from investing activities	(28.9)	(32.4)	(102.3)	(147.6)
Net cash (outflow)/inflow from financing activities	(31.2)	0.4	9.0	495.4
Net (decrease)/increase in cash held	(70.7)	(33.1)	(168.9)	332.0
Cash at the beginning of the financial period	251.8	432.6	348.8	66.2
Effects of exchange rate changes	0.2	1.1	1.4	2.4
Cash at the End of the Financial Period	**181.3**	**400.6**	**181.3**	**400.6**

<u>Three months ended 31 March 2011</u>

Net Cash Outflow from Operating Activities was US$10.6M in 2011 primarily due to the increase in working capital associated with the increase in production levels. The LHM and KM operations generated US$28.3M in cash in 2011 before investment in working capital required to support higher production and sales levels. Inventory increased by US$6.2M and creditors reduced by US$9.7M. The remaining expenditure was for exploration, corporate, administration, marketing and interest paid.

Net Cash Outflow from Investing Activities was US$28.9M in 2011 as a result primarily of Stage 3 expansion at LHM. The net cash outflow of US$32.4M in 2010 was as a result of mine construction at KM and Stage 2 expansion at LHM.

Net Cash Outflow from Financing Activities of US$31.2M in 2011 is attributable to the balance of the repayment of the US$250m convertible bond and repayment of project financing for KM.

Net Decrease in Cash and Cash Equivalents in 2011 was US$70.7M, as compared to the net decrease in cash over the previous corresponding period in 2010 of US$33.1M. The change is predominantly the result of higher sales receipts, final repayment of the US$250M convertible bond and increased expenditure on suppliers and employees due to increased production at KM.

Nine months ended 31 March 2011

Net Cash Outflow from Operating Activities was US$75.6M in 2011 primarily due to the investment in working capital associated with the increase in production levels. The LHM and KM operations generated US$65.1M in cash in 2011 before investment in working capital of US$81.2M mainly inventory to fill the stock pipeline to the converter needed to support higher production and sales levels. The remaining expenditure was for exploration, corporate, administration, marketing and interest paid.

Net Cash Outflow from Investing Activities was US$102.3M in 2011 as a result primarily of Stage 3 expansion at LHM and capitalised exploration expenditure. The net cash outflow of US$147.6M in 2010 was as a result of mine construction at KM, Stage 2 and 3 expansions at LHM and the acquisition of shares in NGM.

Net Cash Inflow from Financing Activities of US$9.0M in 2011 is attributable to the US$300M convertible bond receipt partially offset by the full repayment of the US$250m convertible bond, drawdown of project financing for KM and repayment of project financing for both LHM and KM. The net cash inflow of US$495.4M in 2010 was attributable to the US$363.0M net proceeds from the share placement and US$145.0M net proceeds from the drawdown of KM project finance facilities.

Net Decrease in Cash and Cash Equivalents in 2011 was US$168.9M, as compared to the net increase in cash over the previous corresponding period in 2010 of US$332.0M. The change is predominantly the result of the US$363.0M net proceeds from the share placement and US$145.0M net proceeds from the drawdown of KM project finance facilities in 2010.

Effect of Exchange Rate Changes on cash balances is a gain of US$1.4M for 2011.

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal source of liquidity as at 31 March 2011 is cash of US$181.3M (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. Of this US$161.9M is held in US dollars.

The Group's principal sources of cash for the nine months ended 31 March 2011 were uranium sales receipts, proceeds from the issue of convertible bonds and interest received from cash investments.

The remaining amount outstanding on the LHM project finance facilities was US$32.3M.

For KM, the Group has financing facilities totalling US$167.0M, which are now fully drawn. At 31 March 2011, US$127.9M remains outstanding.

The following is a summary of the Group's outstanding commitments as at 31 March 2011:

Payments due by period	***Total*** ***US$M***	***Less than 1 yr*** ***US$M***	***1 to 5yrs*** ***US$M***	***5yrs+ or unknown*** ***US$M***
Tenements	45.5	18.0	27.5	-
Mine construction	29.3	29.3	-	-
Operating leases	7.1	1.5	5.3	0.3
Manyingee acquisition costs	0.8	-	-	0.8
Total commitments	82.7	48.8	32.8	1.1

(All figures are in US dollars unless otherwise indicated)

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A$0.75M (US$0.77M) 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$0.77M) and are subject to the Western Australian Department of Minerals & Energy granting tenements comprising two exploration licence applications. The A$0.75M (US$0.77M) 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.

OUTSTANDING SHARE INFORMATION

As at 13 May 2011 Paladin had 777,698,217 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 13 May 2011	**Number**
Outstanding shares	777,698,217
Issuable under Executive Share Option Plan	8,711,764
Issuable under Employee Performance Share Rights Plan	7,442,367
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	**896,126,247**

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 31 March 2011 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 and Canadian exploration and evaluation operations as these are deemed to have a functional currency of Australian dollars and Canadian dollars respectively, 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 and Canadian payables.

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 nine months ended 31 March 2011 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 nine months ended 31 March 2011, associated Management Discussion and Analysis and Report to Shareholders. An evaluation of the Company's disclosure controls and procedures used has been undertaken and concluded that the disclosure controls and procedures were effective.

INTERNAL CONTROLS

The Company has designed appropriate internal controls over financial reporting (ICFR) and ensured that these were in place for the nine months ended 31 March 2011. 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 31 March 2011.

During the nine 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 nine 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 nine months, 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.

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

	Notes	Three Months Ended 31 March 2011 US$M	Three Months Ended 31 March 2010 US$M	Nine Months Ended 31 March 2011 US$M	Nine Months Ended 31 March 2010 US$M
Revenue					
Revenue	**5(a)**	92.9	53.3	208.7	154.5
Cost of sales		(58.0)	(31.7)	(129.9)	(93.4)
		34.9	21.6	78.8	61.1
Depreciation and amortisation		(11.0)	(5.1)	(26.9)	(11.7)
Product distribution costs		(3.3)	(1.2)	(7.3)	(2.7)
Royalties		(2.2)	(1.3)	(5.3)	(3.1)
Gross profit		18.4	14.0	39.3	43.6
Other income	**5(b)**	2.0	-	0.8	9.6
Exploration and evaluation	**12**	(0.8)	(0.1)	(1.8)	(1.8)
Administration and marketing	**5(c)**	(14.9)	(9.2)	(39.9)	(27.8)
Other expenses	**5(d)**	(0.8)	(1.1)	(7.9)	(4.6)
Movement in financial assets classified as held for trading		-	(0.1)	-	(0.2)
Earnings Before Interest and Tax		3.9	3.5	(9.5)	18.8
Finance costs	**5(e)**	(14.6)	(5.3)	(48.3)	(16.1)
Loss before income tax		(10.7)	(1.8)	(57.8)	2.7
Income tax (expense)/benefit	**6**	(1.2)	(2.0)	20.3	(18.1)
Net loss after tax		(11.9)	(3.8)	(37.5)	(15.4)
Net profit/(loss) attributable to:					
Non controlling interests		1.6	0.1	(2.8)	(0.2)
Members of the parent		(13.5)	(3.9)	(34.7)	(15.2)
		(11.9)	(3.8)	(37.5)	(15.4)
Loss per share					
Loss after tax from operations attributable to ordinary equity holders of the Company - basic and diluted (US cents)		(1.8)	(0.5)	(4.7)	(2.2)

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 31 March		Nine Months Ended 31 March	
	2011 US$M	2010 US$M	2011 US$M	2010 US$M
Net loss after tax	(11.9)	(3.8)	(37.5)	(15.4)
Other comprehensive income				
Net (loss)/gain on available-for-sale financial assets	(25.0)	(17.6)	23.4	(22.2)
Transfer of available-for-sale reserve on acquisition	-	-	(3.2)	-
Foreign currency translation	24.1	18.5	131.1	81.0
Income tax on items of other comprehensive income	6.2	3.2	(12.0)	5.5
Other comprehensive income for the period, net of tax	5.3	4.1	139.3	64.3
Total comprehensive (loss)/income for the period	(6.6)	0.3	101.8	48.9
Total comprehensive income/(loss) attributable to:				
Non controlling interests	2.2	2.1	10.7	8.6
Members of the parent	(8.8)	(1.8)	91.1	40.3
	(6.6)	0.3	101.8	48.9

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	31 March 2011 US$M	30 June 2010 US$M
ASSETS			
Current assets			
Cash and cash equivalents	**7**	181.3	348.8
Trade and other receivables	**8**	28.2	32.3
Prepayments		11.6	13.5
Inventories	**9**	166.2	109.3
Non current assets held for sale		-	12.0
TOTAL CURRENT ASSETS		387.3	515.9
Non current assets			
Trade and other receivables	**8**	1.4	0.3
Inventories	**9**	65.5	40.8
Other financial assets		63.4	35.7
Property, plant and equipment	**10**	615.0	541.1
Mine development	**11**	108.2	119.2
Exploration and evaluation expenditure	**12**	1,161.2	706.1
Deferred tax asset		12.6	-
Intangible assets	**13**	23.5	24.6
TOTAL NON CURRENT ASSETS		2,050.8	1,467.8
TOTAL ASSETS		2,438.1	1,983.7
LIABILITIES			
Current liabilities			
Trade and other payables		54.1	63.4
Interest bearing loans and borrowings	**14**	42.9	47.9
Provisions	**15**	5.1	10.1
TOTAL CURRENT LIABILITIES		102.1	121.4
Non current liabilities			
Interest bearing loans and borrowings	**14**	680.6	682.2
Deferred tax liabilities		208.9	164.1
Provisions	**15**	35.9	33.5
TOTAL NON CURRENT LIABILITIES		925.4	879.8
TOTAL LIABILITIES		1,027.5	1,001.2
NET ASSETS		1,410.6	982.5
Equity			
Contributed equity	**16(a)**	1,770.9	1,474.6
Reserves		197.1	42.6
Accumulated losses		(643.9)	(609.2)
Parent interests		1,324.1	908.0
Non-controlling interests		86.5	74.5
TOTAL EQUITY		1,410.6	982.5

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 as previously stated	**1,111.6**	**32.5**	**26.0**	**38.9**	**(80.3)**	**14.9**	**0.1**	**(0.2)**	**(581.2)**	**562.3**	**68.9**	**631.2**
Effect of accounting policy Change (note 3)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10.7**	**10.7**	**0.3**	**11.0**
Balance at 1 July 2009 - restated	**1,111.6**	**32.5**	**26.0**	**38.9**	**(80.3)**	**14.9**	**0.1**	**(0.2)**	**(570.5)**	**573.0**	**69.2**	**642.2**
Total comprehensive income/(loss) for the nine months, net of tax	-	(10.3)	-	-	65.8	-	-	-	(15.2)	40.3	8.6	48.9
Share-based payment	-	-	7.7	-	-	-	-	-	-	7.7	-	7.7
Contributions of equity, net of transactions costs	363.0	-	-	-	-	-	-	-	-	363.0	1.1	364.1
Balance at 31 March 2010	**1,474.6**	**22.2**	**33.7**	**38.9**	**(14.5)**	**14.9**	**0.1**	**(0.2)**	**(585.7)**	**984.0**	**78.9**	**1,062.9**
Balance at 1 July 2010 as previously stated	**1,474.6**	**7.7**	**38.0**	**38.9**	**(56.8)**	**14.9**	**0.1**	**(0.2)**	**(634.0)**	**883.2**	**73.2**	**956.4**
Effect of accounting policy Change (note 3)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24.8**	**24.8**	**1.3**	**26.1**
Balance at 1 July 2010 - restated	**1,474.6**	**7.7**	**38.0**	**38.9**	**(56.8)**	**14.9**	**0.1**	**(0.2)**	**(609.2)**	**908.0**	**74.5**	**982.5**
Total comprehensive income/(loss) for the nine months, net of tax	2.8	14.3	-	-	108.7	-	-	-	(34.7)	91.1	10.7	101.8
Share-based payment	-	-	12.7	-	-	-	-	-	-	12.7	-	12.7
Vesting of performance rights	2.7	-	(2.7)	-	-	-	-	-	-	-	-	-
Contributions of equity, net of transaction costs	290.8	-	-	-	-	-	-	-	-	290.8	1.3	292.1
Convertible bonds – equity component, net of tax	-	-	-	28.1	-	-	-	-	-	28.1	-	28.1
Convertible bonds – buyback	-	-	-	(6.6)	-	-	-	-	-	(6.6)	-	(6.6)
Balance at 31 March 2011	**1,770.9**	**22.0**	**48.0**	**60.4**	**51.9**	**14.9**	**0.1**	**(0.2)**	**(643.9)**	**1,324.1**	**86.5**	**1,410.6**

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 31 March		Nine Months Ended 31 March	
	2011 US$M	2010 US$M	2011 US$M	2010 US$M
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	80.2	60.2	208.4	140.6
Payments to suppliers and employees	(79.7)	(52.4)	(256.0)	(139.1)
Exploration and evaluation expenditure	(0.8)	(0.1)	(1.8)	(1.8)
Insurance recovery relating to heat exchangers	-	-	-	7.7
Other income	-	-	0.1	-
Interest received	0.2	0.7	1.3	1.4
Interest paid	(10.5)	(9.5)	(27.6)	(24.6)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(10.6)	(1.1)	(75.6)	(15.8)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment	(34.5)	(29.5)	(100.3)	(135.4)
Payments for available-for-sale financial assets	-	-	-	(1.5)
Proceeds from sale of property, plant and equipment	11.1	-	11.6	-
Proceeds from sale of investments	0.2	-	0.2	-
Proceeds from disposal of tenements	(0.3)	-	2.9	-
Payments for controlled entities net of cash acquired	(2.1)	-	(2.1)	-
Capitalised exploration expenditure	(3.3)	(2.9)	(14.6)	(10.7)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(28.9)	(32.4)	(102.3)	(147.6)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from subsidiary rights issue	-	1.1	1.3	1.1
Proceeds from share placement	-	-	-	374.2
Equity fundraising costs	-	(0.7)	-	(11.1)
Debt finance facility establishment costs	-	-	-	(7.2)
Convertible bond establishment costs	(0.8)	-	(6.7)	-
Repayment of borrowings	(10.0)	-	(44.3)	(6.6)
Drawdown of borrowings	-	-	12.0	145.0
Proceeds from convertible bonds	-	-	300.0	-
Repayment of convertible bonds	(20.4)	-	(253.3)	-
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(31.2)	0.4	9.0	495.4
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(70.7)	(33.1)	(168.9)	332.0
Cash and cash equivalents at the beginning of the financial period	251.8	432.6	348.8	66.2
Effects of exchange rate changes on cash and cash equivalents	0.2	1.1	1.4	2.4
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	181.3	400.6	181.3	400.6

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

NOTE 1. CORPORATE INFORMATION

The Interim Financial Report of Paladin for the nine months ended 31 March 2011 was authorised for issue in accordance with a resolution of the Directors on 6 May 2011.

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; as well as the 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 10 to 24.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the nine months ended 31 March 2011 has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting* and International Financial Reporting Standard, IAS 34 Interim Financial Reporting.

In addition to these requirements further information has been included in the Consolidated Financial Statements for the nine months ended 31 March 2011 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 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.

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

Exploration and evaluation expenditure

The Company has made a voluntary change to its accounting policy for exploration and evaluation expenditure. Refer to Note 3 for disclosure regarding the change.

Exploration and evaluation expenditure related to areas of interest is capitalised and carried forward to the extent that:
(i) Rights to tenure of the area of interest are current; and
(ii) Costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale.

Exploration and evaluation expenditure that is capitalised is included as part of cash flows from investing activities whereas exploration and evaluation expenditure that is expensed is included as part of cash flows from operating activities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditure (continued)

Exploration and evaluation expenditure is allocated separately to specific areas of interest. 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.

If costs are not expected to be recouped through successful development and exploitation of the area of interest or alternatively by sale, costs are expensed in the period in which they are incurred.

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 to its recoverable amount if the area of interest's carrying amount is greater than its estimated recoverable amount.

New and amended accounting standards and interpretations

From 1 July 2010 the Company has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2010.

The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

The Company has not elected to early adopt any new accounting standards and interpretations.

NOTE 3. VOLUNTARY CHANGE IN ACCOUNTING POLICY

The financial report has been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to exploration and evaluation expenditure.

The new exploration and evaluation expenditure accounting policy is to capitalise and carry forward exploration and evaluation expenditure as an asset when rights to tenure of the area of interest are current and costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale. Refer to Note 2 for the full detail of the new accounting policy.

The previous accounting policy was to charge exploration and evaluation expenditure against profit and loss as incurred; except for acquisition costs and for expenditure incurred after a decision to proceed to development was made, in which case the expenditure was capitalised as an asset.

The new accounting policy was adopted on 31 March 2011 and has been applied retrospectively. Management judges that the change in policy will result in the financial report providing more relevant and no less reliable information because it leads to a more transparent treatment of exploration and evaluation expenditure that meets the definition of an asset and is consistent with the treatment of other assets controlled by the Group when it is probable that future economic benefits will flow to the Group and the asset has a cost that can be measured reliably. AASB 6 *Exploration for and Evaluation of Mineral Resources* allows both the previous and new accounting policies of the Group.

NOTE 3. VOLUNTARY CHANGE IN ACCOUNTING POLICY (continued)

Given the significance of the exploration programmes that are being undertaken by the Company following the acquisition of Summit Resources Limited, the recent acquisition of the uranium assets of Aurora Energy Resources Inc. and the takeover of NGM Resources Ltd, it was considered necessary to change the accounting policy.

The impact of the change in accounting policy on both the Consolidated Income Statement, Consolidated Statement of Financial Position and Consolidated Statements of Cash Flows is set out below:

Consolidated Income Statement

Exploration and evaluation expenditure related to areas of interest has been capitalised. This has resulted in a decrease in exploration and evaluation expenditure of US$2.2M for the three months to 31 March 2011 (2010:US$3.1M) and US$10.6M for the nine months to 31 March 2011 (2010:US$10.9M).

Net loss after tax before non-controlling interests has decreased by US$2.2M for the three months to 31 March 2011 (2010:US$3.1M) and US$10.6M for the nine months to 31 March 2011 (2010:US$10.9M).

Basic and diluted loss per share has also been restated. This has resulted in a reduction of 0.2 US cents in the loss per share for the three months ending 31 March 2011 (2010: reduction of 0.5 US cents per share) and a reduction of 1.0 US cents in the loss per share for the nine months ending 31 March 2011 (2010: reduction of 1.6 US cents per share).

Consolidated Statement of Financial Position

The carried forward exploration and evaluation asset at 31 March 2011 has increased by US$40.8M. This adjustment represents a decrease in accumulated losses of US$31.6M, an increase in reserves of US$8.4M and an increase in non-controlling interests of US$0.8M.

The carried forward exploration and evaluation asset at 30 June 2010 has increased by US$26.1M. This adjustment represents a decrease in accumulated losses of US$24.9M and an increase in non-controlling interests of US$1.2M.

Cumulative capitalised exploration and evaluation expenditure at 1 July 2009 has increased by US$11M.

Consolidated Statement of Cash Flows

Exploration and evaluation expenditure that is capitalised is included as part of cash flows from investing activities whereas exploration and evaluation expenditure that is expensed is included as part of cash flows from operating activities. This has resulted in additional cash outflows being reflected for capitalised exploration expenditure of US$3.3M for the three months to 31 March 2011 (2010:US$2.9M) and US$14.6M for the nine months to 31 March 2011 (2010:US$10.7M). This has also resulted in a corresponding reduction being reflected in the net cash outflow from operating activities for the equivalent periods.

NOTE 4. SEGMENT INFORMATION

Identification of reportable segments

The Company has identified its operating segments to be Exploration, Namibia and Malawi, on the basis of the nature of the activity and geographical location and different regulatory environments. The main segment activity in Namibia and Malawi is the production and sale of uranium from the mines located in these geographic regions. The Exploration segment is focused on developing exploration and evaluation projects in Australia, Niger and Canada. Previously exploration was disclosed within the Australia segment. Unallocated portion covers the Company's sales and marketing, treasury, corporate and administration.

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 is allocated to Malawi and Namibia with the balance remaining in Unallocated.

Corporate costs are allocated to each business segment on a proportionate basis linked to allocation of resources.

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

- Interest revenue

NOTE 4. SEGMENT INFORMATION (continued)

The following tables present revenue, expenditure and asset information regarding geographical segments for the nine months ended 31 March 2011 and 31 March 2010.

Nine months ended 31 March 2011	**Exploration US$M**	**Namibia US$M**	**Malawi US$M**	**Unallocated US$M**	**Consolidated US$M**
Sales to external customers	-	124.1	80.4	2.7	207.2
Other revenue	-	-	-	1.5	1.5
Total consolidated revenue	**-**	**-**	**-**	**-**	**208.7**
Segment (loss)/profit before income tax and finance costs	(1.1)	37.6	(8.9)	(37.1)	(9.5)
Finance costs	-	(2.7)	(6.7)	(38.9)	(48.3)
Loss before income tax					(57.8)
Income tax benefit/(expense)	0.3	(11.5)	15.2	16.3	20.3
Loss after income tax					**(37.5)**
Segment assets/total assets	**1,167.4**	**460.2**	**583.7**	**226.8**	**2,438.1**

Nine months ended 31 March 2010	**Exploration US$M**	**Namibia US$M**	**Malawi US$M**	**Unallocated US$M**	**Consolidated US$M**
Sales to external customers	-	109.2	43.7	-	152.9
Other revenue	-	-	-	1.6	1.6
Total consolidated revenue	**-**	**109.2**	**43.7**	**1.6**	**154.5**
Segment (loss)/profit before income tax and finance costs	(0.6)	36.4	7.9	(24.9)	18.8
Finance costs	-	(3.4)	-	(12.7)	(16.1)
Loss before income tax					2.7
Income tax benefit/(expense)	0.2	(19.9)	(1.9)	3.5	(18.1)
Loss after income tax					**(15.4)**
As at 30 June 2010					
Segment assets/total assets	**710.5**	**367.4**	**528.3**	**377.5**	**1,983.7**

NOTE 5. REVENUE AND EXPENSES

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2011 US$M	2010 US$M	2011 US$M	2010 US$M
(a) Revenue				
Sale of uranium	92.5	52.7	207.2	152.9
Interest income from non-related parties	0.3	0.5	1.2	1.4
Database licence revenue	0.1	0.1	0.2	0.2
Sundry income	-	-	0.1	-
Total revenue	92.9	53.3	208.7	154.5
(b) Other income				
Gain on disposal of investment	0.8	-	0.8	-
Foreign exchange gain (net)	1.2	-	-	-
Insurance recovery relating to heat exchangers	-	-	-	7.8
Gain on re-estimation of cash flows attributable to a financial liability	-	-	-	1.8
Total other income	2.0	-	0.8	9.6
(c) Administration and marketing				
Corporate and marketing	7.3	5.8	16.8	17.3
LHM and KM	4.2	1.1	11.3	3.0
Canada	0.5	-	0.5	-
Non-cash	2.9	2.3	11.3	7.5
Total administration and marketing	14.9	9.2	39.9	27.8
(d) Other expenses				
Loss on disposal of property, plant and equipment	(0.8)	-	(0.8)	-
Impairment of inventory	-	-	(3.0)	-
Foreign exchange loss (net)	-	(1.1)	(4.1)	(4.6)
Total other expenses	(0.8)	(1.1)	(7.9)	(4.6)
(e) Finance costs				
Interest expense	(10.2)	(0.9)	(27.7)	(3.0)
Accretion on convertible bonds (non-cash)	(2.9)	(2.8)	(9.0)	(8.3)
Loss on convertible bond buyback (non-cash)	-	-	(4.6)	-
Mine closure provision discount interest expense	(0.5)	(0.6)	(1.5)	(1.7)
Facility costs	(1.0)	(1.0)	(5.5)	(3.1)
Total finance costs	(14.6)	(5.3)	(48.3)	(16.1)

NOTE 6. INCOME TAX

Reconciliation of income tax benefit to prima facie tax payable

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2011 US$M	**2010 US$M**	**2011 US$M**	**2010 US$M**
(Loss)/profit before income tax expense	(10.7)	(1.8)	(57.8)	2.7
Tax at the Australian rate of 30% (2010 – 30%)	(3.2)	(0.5)	(17.3)	0.8
Rate difference (Namibia/Malawi)	(1.2)	0.8	2.7	2.2
Permanent differences	0.1	2.0	6.9	3.6
Foreign exchange (Namibia/Malawi)	(1.5)	(3.0)	(9.0)	(1.2)
	(5.8)	(0.7)	(16.7)	5.4
Prior period over/under adjustment	-	-	-	7.3
Tax benefits/(loss) arising from previously unrecognised tax losses/deductible temporary differences	7.0	2.7	(3.6)	5.4
Income tax expense/(benefit) reported in Income Statement	1.2	2.0	(20.3)	18.1

NOTE 7. CASH AND CASH EQUIVALENTS

	31 March 2011 US$M	30 June 2010 US$M
Cash at bank and on hand	19.0	13.6
Short-term bank deposits	162.3	335.2
Total cash and cash equivalents	181.3	348.8

Total cash and cash equivalents includes US$18.8M restricted for use in respect of the LHM and KM project finance facilities.

NOTE 8. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	13.0	14.2
Less provision for doubtful debts	-	-
Net trade receivables	13.0	14.2
Interest receivables	0.1	0.2
GST and VAT	7.7	11.0
Sundry debtors	7.4	6.9
Total current receivables	28.2	32.3
Non Current		
Sundry debtors	1.4	0.3

NOTE 9. INVENTORIES

Current		
Stores and spares (at cost)	23.8	17.9
Stockpiles (at cost)	12.2	8.4
Work-in-progress (at cost)	8.6	4.7
Finished goods (at cost)	121.6	58.4
Finished goods (at net realisable value)	-	19.9
Total current inventories at the lower of cost and net realisable value	166.2	109.3
Non Current		
Stockpiles (at cost)	65.5	40.8

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

	31 March 2011 US$M	30 June 2010 US$M
Plant and equipment – at cost	554.7	531.3
Less accumulated depreciation	(64.4)	(35.5)
Total plant and equipment	490.3	495.8
Land and buildings – at cost	10.5	9.7
Less accumulated depreciation	(1.4)	(1.0)
Total land and buildings	9.1	8.7
Construction work in progress – at cost	115.6	36.6
Total property, plant and equipment	615.0	541.1

NOTE 11. MINE DEVELOPMENT

	31 March 2011 US$M	30 June 2010 US$M
Mine development	121.5	124.8
Less accumulated depreciation	(13.3)	(5.6)
Total mine development	108.2	119.2

NOTE 12. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the expenditures on interests in mineral properties by area of interest for the nine months ended 31 March 2011:

Areas of interest	Valhalla /Skal [(1)]	Isa North	Fusion	Angela/ Pamela	Bigrlyi	NGM	KM	LHM	Canada	Other Uranium Projects	Total
	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M
Balance 30 June 2010	**536.0**	**130.4**	**9.5**	**4.5**	**21.5**	**-**	**-**	**1.5**	**-**	**2.7**	**706.1**
Acquisition property payments	**-**	**-**	**-**	**-**	**-**	**33.7**	**-**	**-**	**260.6**	**-**	**294.3**
Project exploration and evaluation expenditure											
Labour	0.7	0.9	0.1	0.7	0.3	0.1	0.1	-	0.2	0.7	3.8
Outside services	2.0	1.2	0.2	0.1	1.0	0.2	0.3	-	-	-	5.0
Other expenses	1.4	0.6	0.2	0.4	0.5	0.2	0.3	-	0.1	0.4	4.1
Total expenditure	4.1	2.7	0.5	1.2	1.8	0.5	0.7	-	0.3	1.1	12.9
Expenditure expensed	-	-	(0.1)	-	-	-	(0.7)	-	-	(1.0)	(1.8)
Expenditure capitalised	4.1	2.7	0.4	1.2	1.8	0.5	-	-	0.3	0.1	11.1
Foreign exchange differences	111.3	22.3	2.1	0.8	4.6	-	-	-	7.6	1.0	149.7
Balance 31 March 2011	**651.4**	**155.4**	**12.0**	**6.5**	**27.9**	**34.2**	**-**	**1.5**	**268.5**	**3.8**	**1,161.2**

(1) Summit has a 50% interest in the Valhalla/Skal Projects with the other 50% interest held directly 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 13. INTANGIBLE ASSETS

	31 March 2011 US$M	30 June 2010 US$M
Cost	27.8	27.8
Accumulated amortisation	(4.3)	(3.2)
Net carrying amount of non current intangible assets	23.5	24.6

NOTE 14. INTEREST BEARING LOANS AND BORROWINGS

	Maturity		
Current			
Secured bank loans		42.9	47.9
Non Current			
Unsecured convertible bonds(1)	2011	-	236.7
Unsecured convertible bonds	2013	314.2	310.1
Unsecured convertible bonds(2)	2015	256.6	-
Secured bank loan	2012	16.8	24.0
Secured bank loan(3)	2015	93.0	111.4
Total non current interest bearing loans and borrowings		680.6	682.2

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

(1) On the 17 December 2010, the Company announced that pursuant to its tender offer for the repurchase of the US$250M December 2011 unsecured convertible bonds it had repurchased and cancelled US$229.6M bonds. The remaining US$20.4M bonds were redeemed on 18 January 2011.

(2) On the 5 November 2010, the Company issued US$300M in convertible bonds with an underlying coupon rate of 3.625%, maturing on 5 November 2015 with a conversion price of US$5.67, 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 have been split into liability (underlying bond) and equity components (conversion rights into Company shares).

Based on this treatment of the convertible bonds, US$259M has been allocated to interest bearing loans and borrowings in non-current liabilities (underlying effective interest rate of 7.47%) and US$41M to non-distributable convertible bond reserve in equity. A deferred tax liability which relates to the equity component of the bond of US$12.3M has been recognised through reserves. This deferred tax liability reverses to the Income Statement over the term of the bond.

(3) On the 8 November 2010, the Company drew down a further US$12M on the KM financing facility which is now fully drawn.

NOTE 15. PROVISIONS

	31 March 2011 US$M	30 June 2010 US$M
Current		
Social responsibility	1.3	1.3
Other provision	-	5.9
Employee benefits	3.8	2.9
Total current provisions	5.1	10.1
Non Current		
Social responsibility	0.2	0.2
Employee benefits	2.8	0.1
Rehabilitation provision	30.8	31.3
Demobilisation provision	2.1	1.9
Total non current provisions	35.9	33.5

NOTE 16. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares	31 March 2011 Number of Shares	31 March 2010 Number of Shares	31 March 2011 US$M	31 March 2010 US$M
Issued and fully paid	777,698,217	717,142,802	1,770.9	1,474.6

(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				(11.2)
Balance 31 March 2010		**717,142,802**			**1,474.6**
Balance 30 June 2010		717,142,802			1,474.6
August 2010	Vesting of share rights	750,000(1)	-	-	-
September 2010	Vesting of share rights	530,580	-	-	-
November 2010	NGM acquisition	7,155,938	4.28	1.01557	30.2
January 2011	Options exercised	960	4.50	1.00415	-
February 2011	Aurora takeover	52,097,937	5.04	1.00670	260.6
February 2011	Vesting of share rights	20,000	-	-	-
	Transfer from reserves				2.7
	Tax effect on prior period				3.1(2)
	Transaction costs				(0.3)
Balance 31 March 2011		**777,698,217**			**1,770.9**
	Shares held in trust	(500,000)(1)			-
Adjusted Balance 31 March 2011		**777,198,217**			**1,770.9**

(1) Shares held in trust, vesting variously over time up to 1 January 2012 subject to conditions.
(2) Tax effect of the transaction costs of the share placement in September 2009.

EXPRESSED IN US DOLLARS

NOTE 16. 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:

	31 March 2011 Number
Number of unlisted employee options	9,168,524

Consisting of the following:

Date options granted	Exercisable	Expiry date	Exercise price of options	Number under option
29 January 2008	29 January 2011	29 January 2013	A$4.50	7,043,524
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	775,000
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
Total				9,168,524

(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:

	31 March 2011 Number
Number of unlisted employee share rights	7,593,567

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	639,075
26 March 2010	1 September 2012	Time based	1,065,125
26 March 2010	1 September 2012	Relative total shareholder return	852,100
26 March 2010	1 September 2012	Market price	1,278,150
8 July 2010	1 September 2012	Relative total shareholder return	100,000
8 July 2010	1 July 2013	Market price	150,000
5 November 2010	5 November 2013	Relative total shareholder return	250,000
5 November 2010	5 November 2013	Earnings per share	250,000
5 November 2010	1 September 2011	Time based	212,410
5 November 2010	1 September 2012	Time based	318,615
5 November 2010	1 September 2013	Time based	531,025
5 November 2010	1 September 2013	Relative total shareholder return	424,820
5 November 2010	1 September 2013	Market price	637,230
15 February 2011	1 September 2011	Time based	7,500
15 February 2011	15 February 2012	Time based	162,836
15 February 2011	15 February 2013	Time based	188,838
15 February 2011	15 February 2014	Time based	225,843
Total			7,593,567

NOTE 17. CONTINGENT LIABILITIES

<u>Legal actions</u>

<u>Mount Isa Uranium Joint Venture</u>

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 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.

The benefits of the settlement for the Company included that:

- the dispute with Areva was resolved, thereby paving the way for the Company and Areva to work co-operatively as shareholders of Summit Resources Ltd; and

- the Company thereby controlled, 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. SRA is currently considering the issue of whether it wishes to pursue the Summit Proceedings.

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.

NOTE 18. ASSET ACQUISITION

Acquisition of Aurora Uranium Assets

On 1 February 2011, Paladin Energy Ltd acquired the uranium assets of Aurora Energy Resources Inc. (“Aurora”) from Fronteer Gold Inc. (“Fronteer”).

The transaction was completed for a total consideration of US$260.6M via the issuance of 52,097,937 ordinary shares in Paladin at A$5.04.

With completion of this transaction, Fronteer held approximately 6.7% of Paladin’s ordinary shares, subject to a four-month hold period under Canadian securities laws. Fronteer also entered into an agreement that set out procedures designed to ensure that any disposition of shares by Fronteer will occur in an orderly fashion. Following the announcement of the takeover of Fronteer by Newmont Mining Corporation (Newmont) this shareholding transferred to Newmont, which will assume all obligations under the agreements.

The acquisition was treated as an acquisition of an asset as the transaction involved the acquisition of exploration licences, the intellectual property surrounding these licences and evaluation performed to date only.

The cash outflow on acquisition is as follows	**US$M**
Net cash acquired	-
Direct cost relating to acquisition	(1.1)
Net consolidated cash outflow	(1.1)
Assets acquired	
Other assets	1.5
Exploration and evaluation expenditure	259.5
Other liabilities	(0.4)
Net assets	260.6

NOTE 19. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the nine months, 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.

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 31 March 2011.

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 31 March 2011 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Dated: 13 May 2011

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 31 March 2011.

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 31 March 2011 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Dated: 13 May 2011

Garry Korte
Chief Financial Officer