PALADIN ENERGY LTD
ACN 061 681 098

Ref: 266519

15 May 2012

ASX Market Announcements
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

31 March 2012 Interim Financial Report and MD&A

Attached please find the Interim Financial Report for the nine months ended 31 March 2012 including Report to Shareholders, Management Discussion and Analysis, Interim Financial Statements and Certifications as required in accordance with Canadian reporting requirements.

Yours faithfully
Paladin Energy Ltd

GILLIAN SWABY
Company Secretary

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PALADIN ENERGY LTD

ACN 061 681 098

NEWS RELEASE **For Immediate Distribution**

FINANCIAL REPORT FOR NINE MONTHS ENDED 31 MARCH 2012

Perth, Western Australia – 15 May 2012: 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 2012. The Financial Report is appended to this News Release.

Highlights

- **Record production for nine months of 4.846Mlb U_3O_8, an increase of 14% over the corresponding 2011 period.**
- **The Langer Heinrich Mine produced 1.052Mlb U_3O_8 in the March 2012 quarter, with ore volumes processed 8% above the December 2011 quarter, as Stage 3 continues to ramp-up.**
- **The Kayelekera Mine delivered record production of 0.725Mlb U_3O_8 in the March 2012 quarter, a 15% increase over the December 2011 quarter and 88% of nameplate. Record production in January at 96% of nameplate.**
- **Cash cost of sales (C1 cost) reduced to US$34/lb for nine months to March 2012, down from $35/lb in the previous comparable period.**
- **Cash outflow from investment activities reduced to US$5.2M in March 2012 quarter with the near term high capital phase required to expand production capacity to 8.5Mlb now completed.**
- **Cash investment in working capital reduced to US$18.6M in March 2012 quarter down from US$63.1M in December 2011 quarter. No further significant investment in working capital is expected beyond the June 2012 quarter with the operations now reaching production design capacity.**
- **High average price of $59/lb achieved on March 2012 quarter sales. Also for June 2012 quarter confirmed sales volumes of 2,241,213lb U_3O_8 at an average price of US$56/lb for record revenue forecast to be US$125.5M.**
- **New contracts and a contract extension for delivery of a total of 4.0Mlb U_3O_8 signed including three new U.S. utility customers.**
- **Cash position strengthened with US$141M Stage 3 project finance drawdown and A$68M share placement.**
- **Post quarter successful raising of US$274M through Convertible Bonds. Part of the proceeds will be used to fund a concurrent tender offer to acquire up to US$200M of the existing convertible bonds maturing in 2013.**
- **Significant level of interest in asset sales and strategic engagement with Paladin has resulted in potential for two complementary outcomes, providing an increased level of confidence in a successful result. Funds potentially generated to provide for material debt reduction.**
- **Ending of three-year moratorium on uranium development and mining gives access to be able to progress the world class Michelin Uranium Deposit, commencing with a drill programme in 2012.**
- **Post quarter 50% Kwacha devaluation positive for Malawian economy and for Kayelekera Mine cost optimisation progress.**

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Results

(References to 2012 and 2011 refer to the equivalent nine months ended 31 March 2012 and 2011 respectively).

- **Safety and Sustainability:**
  - Maintained high safety performance with a 12-month moving average Lost Time Injury Frequency Rate (LTIFR) of 0.9.

- **Production:**
  - Record production for nine months of 4.846Mlb U_3O_8 - an increase of 14% from the previous nine months, despite operations being affected by a combination of planned shutdowns, unscheduled remediation work and disruptions from Stage 3 tie-ins.
  - Production for three months of 1.777Mlb U_3O_8 - a slight decrease of 2.6% below the record December 2011 quarterly production.
  - Operations during the first six months of the period were affected by a combination of planned shutdowns on both projects and unscheduled remediation work at Kayelekera. Upgrades and remedial work have since been successfully completed with record production for the nine months achieved.
  - Post quarter both mining projects operated exceptionally well. Production for Langer Heinrich for May month to date is above design. Kayelekera's production in May is at 96% of nameplate and also heading for record levels. Following the industrial action at Kayelekera the mine is operating with a reduced workforce and currently producing at 65% of nameplate. This is expected to only marginally affect guidance, if workers return to work early.

- **Langer Heinrich Mine:**
  - Record production for the nine months of 3.094Mlb U_3O_8 - a 14% increase from 2011. Demonstrated production and performance benefits achieved from Stage 3 production ramp-up.
  - March 2012 quarter U_3O_8 production of 1.052Mlb, a 12% decrease from the quarter ended 31 December 2011. Quarterly production in the March 2012 quarter represented 81% of Stage 3 design capacity. Stage 3 continues to ramp-up with throughputs for the March 2012 quarter 8% above the December 2012 quarter levels, using lower grade feed material in line with the mine plan.
  - Construction of the Stage 3 expansion completed. Staged ramp-up is continuing with crushed tonnes increasing and ore feed grade being reduced to scheduled mine plan levels. The front-end circuit continued to perform well with record throughput. Extraction in the leaching circuit continued to improve due to the ongoing success with the new Flash/Splash heat exchanger and increasing leach temperatures. Commissioning of the NIMCIX circuit is proving successful. Stage 3 will increase annual production capacity from 3.7Mlb U_3O_8 to 5.2Mlb U_3O_8 pa.
  - Results of feasibility study for Stage 4 expansion evaluation has been deferred to the end of the calendar year 2012 as a result of additional capabilities being presented by Stage 3 equipment. Stage 4 is targeting conventional production of 8.7Mlb pa and 1.3Mlb pa through processing of low grade material.

- **Kayelekera Mine:**
  - Record production for the nine months of 1.752Mlb U_3O_8 - a 9% increase from 2011. During the six months to 31 December 2011 production was impacted by planned plant upgrade shut down (3 weeks) and unscheduled remediation work (3 weeks).
  - Record March 2012 quarter U_3O_8 production of 0.725Mlb - an increase of 15% above the quarter ended December 2011 and 88% of nameplate.
  - Both January and March 2012 produced at over 90% of nameplate. Record production in January of 96% of nameplate.
  - Record mill feed and operating hours for quarter.
  - The key production measures for the Kayelekera Mine bankers' technical completion test, covering 90 days from 1 November 2011 to 31 January 2012, have been passed. Work is continuing on final completion test certification.
  - Localised ground movement abated with conditions continuing to be stable.

- **Cost Optimisation:**
  - Implementation plan approved to target reducing corporate and marketing costs by at least 15%.
  - Administration, marketing and site non-production costs reduced by 25% from US$14.9M in March 2011 to US$11.1M in the March 2012 quarter as a result of the cost optimisation programme.
  - Tighter control has led to a reduction of corporate overheads including travel costs and outsourced work. Labour costs have reduced as the high capital investment phase has largely been completed.
  - Discretionary exploration expenditure reduced by US$5M for FY12 by extending programme timeframes.
  - Kayelekera Mine cost optimisation programme is a key focus with production nearing design performance. Fourteen areas have been identified with specific targeted cost saving opportunities including the key areas of acid, reagents, diesel and transport. Progress over the past six months included reaching a new agreement with the finished goods transporter to reduce costs, securing cheaper imported acid, direct diesel imports to save costs and cheaper mill balls now being sourced from China.
  - Recent 50% devaluation of the Malawi Kwacha corrects the artificially high fixed rate that has negatively impacted the Kayelekera Mine costs over the past few years. The US$ reported cost of production is expected to reduce in line with the proportion of costs denominated in Kwacha.

- **Sales:**
  - Sales revenue increased 16% from US$207.2M in 2011 to US$240.0M for the nine months ended March 2012, mainly as a result of higher sales volumes of 4.457Mlb U_3O_8 compared to 2011 sales volume of 3.713Mlb U_3O_8. The average realised uranium price for the nine months ended March 2012 was US$54/lb compared to US$56/lb for 2011. The average sales price reflects the lower spot price during the period.
  - Total sales volume for the March 2012 quarter of 1.137Mlb U_3O_8 - a 14% decrease compared to the December 2011 quarter sales of 1.318Mlb U_3O_8. The impact of the lower volumes was offset by the higher average realised uranium price for the March 2012 quarter of US$59/lb, compared to US$53/lb for the December 2011 quarter. Uranium sales volumes are expected to fluctuate quarter-on-quarter due to the uneven timing of contractual commitments and resultant scheduling by customers. Once production reaches design levels, sales and production volumes are expected to be similar, measured on an annual basis.
  - New contracts signed for the delivery of 2.8Mlb from 2012 to 2016 at pricing from mid to low US$60s per lb. as well as extension of existing contract for the delivery of more than 1.0Mlb over the same period at market-related pricing.
  - Term market interest by nuclear utilities in all regions has increased recently for deliveries commencing in 2013-2014 which will provide additional multi-year contracting opportunities in an improving long-term market.

- **Cash Cost of Sales (C1 cost):**
  - Overall C1 cost for the nine months to 31 March 2012 decreased slightly to US$34/lb from US$35/lb in 2011.
  - Overall C1 cost for quarter ended March 2012 increased to US$36/lb U_3O_8 from US$32/lb U_3O_8 for the December 2011 quarter, reflecting a higher proportion of total sales attributable to Kayelekera Mine.
  - Langer Heinrich Mine C1 cost for quarter ended March 2012 decreased to US$30/lb U_3O_8 from US$31/lb U_3O_8 in the December 2011 quarter, despite the effects of the stronger Namibian dollar.
  - Kayelekera Mine C1 cost for the quarter ended March 2012 remained relatively stable at US$47/lb compared to US$46/lb in the quarter ended December 2011. Inventory sold in the March 2012 quarter was partly produced in the September 2011 quarter when production was lower due to the plant shutdown. As production is nearing design performance, a key focus is cost optimisation. Specific targeted costs saving areas include acid, reagents, diesel, transport and providing increased opportunities for local workers.

- **Profit and Loss**

	Three Months Ended 31 March 2012 US$M	Three Months Ended 31 March 2011 US$M	Nine Months Ended 31 March 2012 US$M	Nine Months Ended 31 March 2011 US$M
Revenue	**67.8**	**92.9**	**241.2**	**208.7**
C1 cost[(1)]	(41.0)	(58.0)	(153.7)	(129.9)
Royalties and distribution	(3.3)	(5.5)	(12.2)	(12.6)
Amortisation and depreciation	(8.3)	(11.0)	(33.1)	(26.9)
Gross profit	**15.2**	**18.4**	**42.2**	**39.3**
Exploration expenses	(0.2)	(0.8)	(1.6)	(1.8)
Site non-production costs	(4.0)	(3.7)	(14.1)	(9.3)
Corporate, marketing and administration	(4.8)	(8.3)	(15.7)	(19.3)
	6.2	**5.6**	**10.8**	**8.9**
Non-cash costs	(2.3)	(2.9)	(6.8)	(11.3)
Other income & expenses	(15.3)	1.2	(200.4)	(7.1)
(Loss)/profit before interest and tax	**(11.4)**	**3.9**	**(196.4)**	**(9.5)**
Finance costs	(10.7)	(14.6)	(38.6)	(48.3)
Loss before income tax	(22.1)	(10.7)	(235.0)	(57.8)
Income tax benefit/(expense)	2.7	(1.2)	74.8	20.3
Loss after tax	(19.4)	(11.9)	(160.2)	(37.5)
Non-controlling interests	1.9	(1.6)	22.6	2.8
Net loss after tax attributable to members of the parent	**(17.5)**	**(13.5)**	**(137.6)**	**(34.7)**

[(1)] Cash cost of sales (C1 cost) = cost of sales excluding product distribution costs, sales royalties and depreciation and amortisation.

- Gross profit for the nine months ended 31 March 2012 increased to US$42.2M from US$39.3M in 2011 due to higher sales volumes which has been partially offset by lower average prices. Adding back amortisation and depreciation of US$33.1M for 2012 (2011: US$26.9M), gross profit before amortisation and depreciation increased to US$75.3M in 2012, up from US$66.2M in 2011.
- Site non-production costs for the nine months ended 31 March 2012 were higher at US$14.1M due to higher royalties on increased sales, increased activity at the Canadian operations following the lifting of the moratorium and the Stage 4 expansion evaluation study.
- Corporate and marketing costs were US$3.6M lower for the nine months ended 31 March 2012 due to cost savings achieved through the cost rationalisation programme that was announced to the market in the latter half of 2011. Tighter control has led to a reduction in corporate overheads.
- Non-cash costs, mainly share based payments, for the nine months ended 31 March 2012 reduced from US$11.3M to US$6.8M as a result of no new grant of share rights in this period.
- Other income and expenses for the nine months ended 31 March 2012 mainly reflects the September 2011 impairment of the Kayelekera Mine asset expense of US$178.9M pre-tax (US$133M post-tax) caused by the deterioration of uranium prices since events in Japan in March 2011 and a US$11.9M impairment of finished goods at the Kayelekera Mine.
- Finance costs for the nine months ended 31 March 2012 decreased by US$9.7M due to a portion of the Langer Heinrich Mine Stage 3 project finance loan being capitalised as part of the Stage 3 construction costs and in 2011 finance costs included a US$4.6M non-cash loss on convertible bond buy-back.
- A net loss of US$137.7M was recorded for the nine months ended 31 March 2012, mainly as a result of the US$133M (post-tax) impairment cost associated with the write down of the Kayelekera Mine assets that occurred in the quarter ended September 2011.
- Company recorded a US$17.6M net loss after tax attributable to the ordinary equity holders for the quarter ended March 2012 compared to a US$13.5M loss in the comparative quarter predominantly as a result of the impairment of inventory expense.

- **Cash Flow:**
  - Positive cash flow of US$62.1M generated by the Langer Heinrich and Kayelekera mine operations for the nine months before investment into working capital required to support higher production levels and payments for administration, marketing and non-production costs, exploration and net interest paid.
  - Cash outflow from investing activities slowed to US$5.2M in March 2012 quarter with completion of construction required to expand production capacity to 8.5Mlb.
  - Cash investment in working capital reduced to US$18.6M in March 2012 quarter, down from US$63.1M in December 2011 quarter, mainly for additional finished goods stocks required to meet firm sales commitments of over 2Mlb for the June 2012 quarter. No further significant investment in working capital is expected once the operations reach production design capacity.
  - Positive cash flow from financing activities of US$135.7M for the nine month period ended March 2012 attributable to the drawdown of the Langer Heinrich Stage 3 project finance facility, proceeds from the share placement and after scheduled repayments of the Langer Heinrich and Kayelekera project finance facilities.

- **Cash Position:**
  - Cash of US$96.9M at 31 March 2012.

- **Capital Raising and Funding:**
  - US$141M Langer Heinrich Stage 3 project finance facility fully drawndown.
  - Remaining US$24.8M of Langer Heinrich Stage 1 project finance facility repaid.
  - Successfully completed A$68M institutional private placement in October 2011.
  - Post quarter, successful raising of US$274M through convertible bonds.
  - Post quarter, tender offer to acquire up to US$200M of the US$325M issue of convertible bonds due in March 2013. Following the US$200M buyback the remaining US$125M of March 2013 convertible bonds are expected to be repaid from a combination of existing cash balances, cash generated from the Langer Heinrich and Kayelekera mine operations and cash proceeds from the asset sales process.

- **Minority Asset Sales and Strategic Engagement Opportunities**
  - Discussions with a select group of nuclear industry parties seeking a broader and deeper partnership with Paladin than originally envisioned are advancing. Funds potentially raised will primarily be used to reduce net debt levels in the business.
  - The overall engagement process continues to make good progress. As a result of the significant level of interest received from parties, two separate and complementary outcomes are being pursued simultaneously, providing a higher level of confidence in being able to reach a successful outcome within the June/September timeframe. Based on this expanded approach a material reduction in debt is anticipated.

- **Exploration and Development**
  - Ending of three-year moratorium on the mining, development and production of uranium gives access to the world class Michelin Uranium Deposit validating decision to acquire the Aurora uranium assets at a discounted price of US$1.90/lb. This has cleared the way to re-commence work on projects and substantial long-term resource increases are expected.

The documents comprising the Financial Report for the nine months ended 31 March 2012, including the Report to Shareholders, Management Discussion and Analysis and 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).

Generally Accepted Accounting Practice
The news release includes non-GAAP performance measures: Cash cost of sales (C1 cost), gross profit before amortisation and depreciation, non-cash costs as well as other income and expenses. The Company believes that, in addition to the conventional measures prepared in accordance with GAAP, the Company and certain investors use this information to evaluate the Company's performance and ability to generate cash flow. The additional information provided herein should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Conference Call

Conference Call and Investor Update scheduled for 07:00 Perth & Hong Kong, Thursday 17 May 2012, 19:00 Toronto, Wednesday 16 May 2012 and 24:00 London, Wednesday 16 May 2012.

Details were included in a separate news release made on 11 May 2012.

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PALADIN ENERGY LTD

A.C.N. 061 681 098

FINANCIAL REPORT

FOR THE NINE MONTHS ENDING

31 MARCH 2012

PALADIN ENERGY LTD

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(All figures are in US dollars unless otherwise indicated)

SAFETY

The Company has maintained its high safety performance with a 12-month moving average Lost Time Injury Frequency Rate (LTIFR) of 0.9. One LTI was recorded at the Kayelekera Mine (KM) due to a vehicle incident and a second LTI was recorded at the Langer Heinrich Mine (LHM). Follow-up corrective actions have been implemented to prevent recurrence of such incidents.

QUARTERLY URANIUM SALES

Sales for the quarter were 1,137,477lb U_3O_8 generating revenue of US$67.3M, with an average sales price of US$59.17/lb U_3O_8 (average UxC spot price for the quarter was US$51.81/lb U_3O_8). Sales are distributed unevenly throughout the year and this quarter has seen some inventory build in anticipation of significantly higher volumes booked for sale in the June 2012 quarter. Confirmed sales volumes for the June 2012 quarter of 2,241,213lb U_3O_8 at an average price of US$56/lb for record revenue forecast to be US$125.5M.

LANGER HEINRICH MINE, Namibia

Production by quarter

LHM	Jun 2011 Qtr	Sep 2011 Qtr	Dec 2011 Qtr	**Mar 2012 Qtr**
U_3O_8 Production (lb)	896,761	849,067	1,192,785	**1,052,364**

During the quarter, the plant continued its Stage 3 ramp-up with crushed tonnes increasing by 8%. Plant throughput steadily increased with the average ore feed grade being reduced by 17% to 850 parts per million (ppm), nearing Stage 3 design of 800ppm.

Production totalled 1,052,364lb U_3O_8 for the quarter, 10% below Langer Heinrich's internal target of 1,150,000lb. This shortfall was mainly due to early quarter commissioning bottlenecks and the planned lower grade feed in line with the mine plan. These bottleneck issues have now been rectified to Stage 3 specification.

Mining

The increased plant throughput and production are reflected below with higher tonnages mined and slight increases in stripping ratio as the demand for throughput increases:

	Dec 2011 Qtr	**Mar 2012 Qtr**
Ore mined (t)	1,490,963	**1,961,631**
Grade (ppm)	695	**706**
Additional low grade ore mined (t)	1,257,414	**1,559,790**
Grade (ppm)	322	**321**
Waste/ore ratio	1.17	**1.48**

Mining continues to concentrate on extending the open pit to the west. Run of Mine (ROM) stocks were maintained at between 4 and 6 weeks of ore supply.

(All figures are in US dollars unless otherwise indicated)

Process Plant

The increased plant throughput continued in the March quarter in line with long term objectives as reflected below:

	Dec 2011 Quarter	**Mar 2012 Quarter**
Ore milled (t)	630,397	**680,369**
Grade (ppm)	1,023	**850**
Scrub efficiency (%)	95.7	**94.2**
Leach extraction (%)	87.9	**91.0**
Wash efficiency (%)	79.8	**84.2**
Overall recovery (%)	83.8	**82.2**

Tonnage through the process plant increased by 8% from the previous quarter with total throughput of 680,369t.

The new equipment in the front-end circuit is now well established and this section of the plant continued to perform well with record throughput.

The extraction in the leaching circuit continued to improve due to the ongoing success with the new Flash/Splash heat exchanger and increasing leach temperatures. Direct steam injection was also added to the old leach circuit in this quarter and commissioned in March with immediate improved results reflected in higher leach efficiency. The Company expects this heating addition will further reduce the dependency on the higher maintenance spiral heat exchangers in this circuit.

With the increased throughput of the Counter-Current Decantation (CCD) circuit, earlier bottlenecks were overcome in March and now provide opportunities for further optimisation. Even with the earlier ramp-up problems, this circuit sustained improved efficiencies.

The commissioning of the NIMCIX circuit is proving successful. A minor modification is underway in the elution columns, which is expected to provide improved throughput capacity and recovery efficiency. The work is being phased so as not to impact the current production capacity of the plant.

The overall plant efficiency reduced slightly during the quarter to 82.2%. Both the leach and wash efficiencies improved, but the overall recovery was affected by the commissioning issues experienced in the tailings thickening circuit.

Construction of the Tails Storage Facility 2 (TSF2) continued, with high volumes of material placed and compacted during the quarter.

Commissioning of the TSF2 tailings thickening circuit is ongoing with improved results expected during the second half of the June quarter.

Stage 4 Feasibility Study

As previously advised, the Stage 4 feasibility study has been deferred to the end of calendar year 2012 as a result of additional capabilities being presented by Stage 3 equipment. This delay will give time to properly review and establish the degree of positive performance of this equipment prior to its integration into the Stage 4 flowsheet. The Environmental Impact Assessment for the Stage 4 expansion and associated utility upgrades (power and water) have been submitted to the Namibian Government, with approvals expected in the June 2012 quarter.

(All figures are in US dollars unless otherwise indicated)

KAYELEKERA MINE, Malawi

Production by quarter

KM	Jun 2011 Qtr	Sep 2011 Qtr	Dec 2011 Qtr	**Mar 2012 Qtr**
U_3O_8 Production (lb)	566,248	395,478	631,780	**724,552**

Kayelekera achieved record uranium production during the March quarter, reaching 15% above the previous quarter. Production was temporarily impacted by the use of a lower-cost reagent that was tested and proved problematic.

Mining

A total of 1,102,036t of ore and waste was mined during the quarter.

	Dec 2011 Qtr	**Mar 2012 Qtr**
Ore mined (t)	338,716	**305,322**
Grade (ppm)	1,196	**1,167**
Additional low grade ore mined (t)	165,483	**128,464**
Grade (ppm)	511	**523**
Waste/ore ratio	1.15	**1.54**

The quarterly mine production was slightly lower than budget largely due to the wet season. The end of the wet season and the addition of new equipment are expected to result in increased production in the coming months.

Process Plant

Operating data

	Dec 2011 Qtr	**Mar 2012 Qtr**
Operating time (hrs)	1,650	**1,884**
Mill feed(t)	312,302	**360,429**
Grade (ppm)	1,112	**1,205**
Leach extraction (%)	88.3	**87.0**
RIP efficiency (%)	96.5	**95.6**
Overall efficiency (%)	84.1	**82.6**

The process plant achieved record mill feed and operating time averaging 15% above the previous quarter. The crushing/grinding circuit operated well.

Resin-in-Pulp (RIP) and elution operational issues continue to focus mostly on resin management and corrosion mitigation. Refurbishment projects in these circuits, for corrosion mitigation, are progressing well.

Overall recovery was down 1.5% as a result of treatment of a higher component of reduced arkose ore and delays in peroxide deliveries due to dockside weather. Measures have been put in place to increase stocks of peroxide on site.

Landslip mitigation of the areas to the west of the plant is complete. Ground movement is stable and monitoring by external consultants is ongoing.

(All figures are in US dollars unless otherwise indicated)

Completion Test

The 90 day Bankers' Completion Test was completed at the end of January. The project performed well against test parameters and is awaiting final certification.

Cost Optimisation

Cost optimisation is continuing, targeting savings on acid, reagents, diesel and transport.

Near Mine Exploration

Due to export constraints within Malawi, the batch of confirmation assays from the 2011 drilling programme sent to Australia was delayed by approximately 3 months. The samples have now been prepared in South Africa prior to the transport of pulps to Australia. Results are expected within the next quarter. Consequently, the Mineral Resource estimate update will be delayed until late in the June 2012 quarter.

Evaluation of the regional exploration drilling completed last year has indicated a number of promising targets and follow-up drilling is planned once work can resume in May after the wet season.

OVERALL QUARTERLY PRODUCTION

Combined (LHM & KM) production by quarter is as follows:

Combined	Jun 2011 Qtr	Sep 2011 Qtr	Dec 2011 Qtr	**Mar 2012 Qtr**
U_3O_8 Production (lb)	1,463,009	1,244,545	1,824,565	**1,776,916**

Production for the quarter was slightly down on target at both sites. At Kayelekera, a new reagent, which has potentially significant cost savings, was tested with negative results. This test resulted in approximately a 40,000lb loss of production at Kayelekera. At Langer Heinrich, early quarter issues with ramping up the additional CCD circuit as well as with the tailings thickener caused delays.

For the reasons outlined, Paladin now expects FY12 production to be about 2% below the previously announced lower guidance of 7.1Mlb. The current industrial action at Kayelekera Mine is expected to only marginally affect guidance if workers return to work early as is anticipated.

MOUNT ISA REGION PROJECTS, Queensland

The Mount Isa regional projects comprise the Isa Uranium Joint Venture (IUJV) (Paladin Energy Ltd 50%, Summit Resources (Aust) Pty Ltd 50% Operator), the Mount Isa North Uranium Project (MINUP) (Summit Resources (Aust) Pty Ltd 100% - Paladin holds 82.08% of Summit), and the Valhalla North Project (VNP) (Fusion Resources 100% - Paladin holds 100% of Fusion).

Andersons Uranium Deposit

The Andersons Uranium Deposit is part of the MINUP. An update to the Andersons Mineral Resource was completed in January 2012. This followed the drilling of four Reverse Circulation (RC) holes, extensive data validation, geological mapping, relogging of diamond holes and reinterpretation of the geology model. Mineralisation plunging 65° to the east was drilled over widths of 15m to 20m and now extends over 290m down plunge. Grades ranged from 100ppm to

(All figures are in US dollars unless otherwise indicated)

4000ppm U_3O_8. The mineralisation was highlighted by hole ANDDH17 (17m-68m/51m @ 1739ppm U_3O_8).

The revised Mineral Resource is reported below at a 250ppm U_3O_8 cut-off grade. For the first time, Indicated Mineral Resources have now been estimated. The dataset is a combination of assays and downhole radiometrically logged equivalent U_3O_8 grades. Downhole logging was carried out with derived grades being validated against assays in a number of drill holes. The Mineral Resource was estimated using Kriging methodologies with search distances appropriate to the variography and drill hole spacing.

Mineral Resource category	Mt	Grade ppm U_3O_8	t U_3O_8	Mlb U_3O_8
Indicated	1.4	1,449	2,079	4.6
Inferred	0.1	1639	204	0.4

AURORA – MICHELIN URANIUM PROJECT, Canada

In March 2012, the Nunatsiavut Government enacted the Environmental Protection Act and amended the Labrador Inuit Lands Act, lifting the moratorium on the working, production, mining and development of uranium on Labrador Inuit Lands. This has cleared the way to re-commence work on projects within the Central Mineral Belt of Labrador, Canada, (CMB), where the Company has a number of very prospective exploration and development targets.

The Company expects substantial long-term resource increases within its tenement package in the CMB, as the CMB is considered to offer good potential for additional discoveries. Planning for the summer field season, commencing in the second half 2012, is underway. An expanded infill and resource definition drilling programme is being designed, along with an extensive mapping and exploration programme for the rest of the tenement package.

Future exploration will aim initially at increasing the resources within the Michelin “mineralised trend”, located inside a 5km to 10km radius of the main Michelin deposit. Paladin is planning to carry out continuous exploration within the CMB over the next 3 to 5 years, with a goal of expanding the known resources sufficiently to be able to develop a significant mining operation.

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

Paladin exploration staff were seconded to the Bigrlyi Joint Venture in order to rapidly map, re-log and re-interpret the existing geological model. This exercise had been very successful in creating an improved geological understanding of the area, which will be used as a primary input for a revised mineral resource estimate. It is expected that mineral resources will be updated over the coming months once all the existing historical Central Pacific Minerals’ N.L. data has been combined with the recently collected Energy Metals Limited’s’ data and validated.

CORPORATE

Update on Review of Strategic Options

Paladin advised on 10 April 2012 that it is in discussions with a select group of nuclear industry parties, to seek a minority Joint Venture (JV) participation in certain of its non-producing uranium assets. This will enable further strengthening and consolidation of the globally unique position that the Company has achieved in the uranium supply sector. All parties engaged in negotiation acknowledge Paladin's high strategic value through its blend of independence, achievement in production, significant portfolio of potential development and exploration projects, and a leadership, management and technical team ideally suited to take Paladin to its next stage of development.

The participation proposals received are diverse, reflecting a broad and deep interest to become part of Paladin's future production platform, providing opportunity for increased financial strength and flexibility. Consequently, in addition to progressing the JV approach, Paladin is carefully considering all options now available to secure optimal value and ensure the best outcome for the long term benefit of shareholders.

The overall engagement process continues to make good progress. As a result of the significant level of interest received from parties two separate complementary outcomes are being pursued simultaneously, providing a higher level of confidence in being able to reach a successful outcome.

Also, unlike many other mineral commodities, high quality uranium assets are attracting premium prices in the current environment and the underlying market for these remains strong.

Judgement on Legal Action – Isa Uranium Joint Venture

Judgment was handed down on 12 April 2012 by the Honourable Chief Justice Martin and his decision concluded (amongst other things) that the proceedings that Summit Resources (Aust) Pty Ltd (SRA) brought against Resolute and MIU had no realistic prospects of success and that orders dismissing those proceedings on terms which avoids any adverse costs order against SRA are not prejudicial to the interests of Summit or its shareholders as a whole, but rather advance those interests.

The Honourable Chief Justice Martin made orders which enabled the proceedings that SRA brought against Resolute and MIU to be dismissed.

Paladin is pleased that this matter has now been resolved and that the companies can focus on their business activities without this distraction.

URANIUM MARKET COMMENTS

The UxC spot price remained in a narrow range around US$52/lb U_3O_8 during the quarter, on comparatively low volumes. The UxC term price declined US$3/lb U_3O_8 to US$60/lb U_3O_8.

Outlook[1]

The first anniversary of the Fukushima earthquake and associated nuclear accident saw most civil nuclear nations re-confirming their nuclear programmes after stringent safety reviews. In Japan, almost the entire operable fleet of 51 reactors is still off-line pending community and government endorsement of revised safety and evacuation plans; however, a progressive re-start of approved plants is expected during 2012. According to the World Nuclear Association, globally, 435 reactors are operable in March 2012 (443 in February 2011). During the year, 7 new plants were brought into operation world-wide, and construction started on 2 plants, adding to the 58 plants already under construction. In the USA, Construction and Operating Licences were granted for 4 new nuclear plants in Georgia & South Carolina. The number of plants in the "planned" category is 163, an increase of 5 plants.

Therefore, despite the regrettable impact of the Fukushima accident, the world's reliance on nuclear energy remains solid and the Company fully expects uranium supply will become the key issue for the industry to overcome.

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF
Managing Director/CEO

[1] All industry data is sourced from the World Nuclear Association (www.world-nuclear.org, the Ux Consulting Company LLC publication "Ux Weekly" (www.uxc.com) and the Nuclear Energy Institute (www.nei.org).

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 2012. The effective date of this report is 15 May 2012.

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 2012 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 2011 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 during the nine months ended 31 March 2012 were:

- Record production for nine months of 4.846Mlb U_3O_8 - an increase of 14% from the corresponding nine months, despite operations being affected by a combination of planned shutdowns and unscheduled remediation work.

- Production for three months of 1.777Mlbs U_3O_8 - a slight decrease of 2.6% below the record December 2011 quarterly production.

  - LHM 3.094Mlb U_3O_8 and KM 1.752Mlb U_3O_8.
  - Demonstrated production and performance benefits achieved from plant upgrades and Stage 3 production ramp-up.

- Langer Heinrich produced 1.052Mlb U_3O_8 in the three months ended 31 March 2012, 12% below the three months ended 31 December 2011. Stage 3 continues to ramp up with higher throughputs using lower grade feed material.

  - Crushed 680,369 tonnes of ore, an all-time record and an increase of 8% from the previous quarter.
  - Treated 850ppm U_3O_8 of plant feed, a decrease from last quarter of 17% and nearing design of 800ppm.

- Kayelekera delivered a record of 0.725Mlb U_3O_8 in the three months ended 31 March 2012, a 15% increase over the three months ended 31 December 2011 and 88% of nameplate:

  - Both January and March produced at over 90% of nameplate. Record production in January at 96% of nameplate.
  - The key production measures for the Kayelekera Mine bankers' technical completion test, covering 90 days from 1 November 2011 to 31 January 2012, have been passed. Work is continuing on final completion test certification.
  - Localised ground movement abated with conditions continuing to be stable.
  - Record mill feed and operating hours for the quarter.

- Total sales volume for the nine months was 4.457Mlb U_3O_8 at an average realised uranium sales price of US$54/lb U_3O_8.

- Average combined cash cost of sales (C1), as defined on page 13, of US$36/lb for the three months ended 31 March 2012 up from US$32/lb for the three months ended 31 December 2011 as a result of the higher proportion of KM sales in the March quarter. C1 cost of sales for nine months ended 31 March 2012 reduced slightly from US$35/lb (2011) to US$34/lb (2012).

- Expansions:

  - LHM Stage 3 construction completed. Staged ramp-up is continuing with crushed tonnes increasing and ore feed grade being reduced. The front-end circuit continued to perform well with record throughput. Extraction in the leaching circuit continued to improve due to the ongoing success with the new Flash/Splash heat exchanger and increasing leach temperatures. Commissioning of the NIMCIX circuit is proving successful.
  - LHM Stage 4 Feasibility Study – results deferred until end of calendar year 2012 as a result of additional capabilities being presented by Stage 3 equipment.

- High safety performance maintained with a 12-month average LTIFR of 0.9.

- Moratorium on development and production of uranium was lifted by the Nunatsiavut Government enabling access to the world class 100% owned Michelin Uranium Project in Labrador, Canada. This has cleared the way to re-commence work on projects and substantial long-term resource increases are expected.

- Corporate:

  - US$141M LHM Stage 3 project finance facility fully drawndown.
  - Remaining US$24.8M of LHM Stage 1 project finance facility repaid.
  - Completion of A$68M Institutional Private Placement.
  - Post quarter - successful raising of US$274M through Convertible Bonds
  - In discussions with a select group of nuclear industry parties seeking minority Joint Venture participation in certain non-producing uranium assets

SUMMARISED INCOME STATEMENT

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2012 US$M	2011 US$M	2012 US$M	2011 US$M
Revenue	**67.8**	**92.9**	**241.2**	**208.7**
Gross profit	**15.2**	**18.4**	**42.2**	**39.3**
Exploration and evaluation expenses	(0.2)	(0.8)	(1.6)	(1.8)
Administration, marketing and site non-production costs	(11.1)	(14.9)	(36.6)	(39.9)
Other expenses and income	(15.3)	1.2	(200.4)	(7.1)
Finance costs	(10.7)	(14.6)	(38.6)	(48.3)
Income tax benefit/(expense)	2.7	(1.2)	74.8	20.3
Loss after tax	(19.4)	(11.9)	(160.2)	(37.5)
Loss after tax attributable to:				
Non controlling interests	(1.9)	1.6	(22.6)	(2.8)
Members of the parent	**(17.5)**	**(13.5)**	**(137.6)**	**(34.7)**
Loss per share - basic & diluted (U.S. cents)	(2.0)	(1.7)	(16.9)	(4.7)

Three Months Ended 31 March 2012

(References below to 2012 and 2011 refer to the equivalent three months ended 31 March 2012 and 2011 respectively.)

Cash cost of sales (C1 cost) = cost of sales excluding product distribution costs, sales royalties and depreciation and amortisation. C1 cost is a widely used 'industry standard' term. C1 cost information has been extracted from the financial statements. For an analysis of total cost of sales refer to Note 4(b) on page 36.

Analysis of Income Statement

Revenue decreased from US$92.9M to US$67.8M in 2012 as a result of decreased sales of uranium of US$67.3M (2011: US$92.5M). Total sales volume for the quarter was 1.137Mlb U_3O_8 (2011: 1.396Mlb). LHM sold 0.707Mlb U_3O_8 and KM sold 0.430Mlb U_3O_8. Total production for the quarter was 1.777Mlb U_3O_8 (2011: 1.402Mlb). LHM produced 1.052Mlb U_3O_8 (2011: 0.796Mlb) and KM produced 0.725Mlb U_3O_8 (2011: 0.606Mlb). Uranium sales tend to fluctuate quarter-on-quarter due to the uneven timing of contractual commitments and resultant delivery scheduling by utility customers, however a sales programme is in place to ensure that over time sales volumes and production volumes are aligned. The Company's average realised uranium sales price in 2012 was US$59/lb U_3O_8 compared to the average UxC spot price for the quarter of US$52/lb (2011: US$66/lb). The average sales price reflects the lower spot price during the quarter. A higher proportion of contracted deliveries are scheduled in the forthcoming three months to 30 June 2012. Confirmed sales nominations are more than 2Mlbs for the June 2012 quarter.

Gross Profit in 2012 of US$15.2M is lower than in 2011 (US$18.4M) due to lower sales volumes and lower average sales prices which has been partially offset by lower C1 cost per lb due to a decrease in C1 cost for KM and a higher proportion of LHM sales during the quarter. Overall C1 cost has reduced to US$36/lb compared to US$41/lb in 2011. The C1 cost for LHM in 2012 increased to US$30/lb U_3O_8 (2011: US$28/lb) due to production disruptions associated with Stage 3 tie-ins. The C1 cost for KM in 2012 decreased to US$47/lb U_3O_8 (2011: US$51/lb) as a result of increased production levels as production nears design performance.

Exploration and Evaluation Expenditure of US$0.2M in 2012 relates to early stage work and project generation activities in Australia and Malawi, a decrease from 2011 (US$0.8M).

Administration, Marketing Expenses and Site Non-production Costs have decreased from US$14.9M to US$11.1M due predominantly to corporate and marketing cost savings of US$3.5M achieved through the cost rationalisation programme that was announced to the market in the latter half of 2011. Tighter control has led to a reduction in corporate overheads including travel costs and outsourced work. Labour costs have reduced as the high capital investment phase has largely been completed. There has been a decrease in expenditure of US$0.2M relating to the LHM Stage 4 expansion evaluation project, which is now almost complete. Additionally there has been a decrease of US$0.9M in non-cash share based payments expense as there has been no new grant of share rights in this period. These savings have been partially offset by an increase in expenditure of US$0.3M relating to the KM royalties, due to the increase in production, and US$0.4M relating to the addition of the Canadian operations as activity increases due to the lifting of the moratorium on mining, development and production of uranium.

Other Expenses and Income have moved from an income of US$1.2M to an expense of US$15.3M due predominantly to a US$11.9M impairment of KM finished goods inventory to a net realisable value using the current lower uranium market prices. The Kayelekera finished goods inventory held at 31 March 2012 was predominantly produced during the half year ended 31 December 2011 when production levels were at times significantly below plant production design levels due to the impact of the plant shutdown that occurred in August, September and October 2011 to be able to implement planned plant upgrades and remedial work to address the impact of ground movement. This work has subsequently been completed and the ground movement has abated since remedial measures were implemented. Subsequently, the 90 day bankers technical completion tests commenced on 1 November, with production levels at above 90 per cent of production design capacity for every month through to the end of the test on 31 January 2012. The cost of the KM inventory held at 31 March 2012 includes non-cash amortisation costs of approximately US$7/lb. A cost optimisation programme is underway at the KM targeting material cost reductions over the next year to further optimise production and reduce costs.

Finance Costs have decreased by US$3.9M to US$10.7M due to a portion of the LHM Stage 3 project finance loan being capitalised as part of the Stage 3 construction costs. Finance costs relate primarily to interest payable and accretion on the US$325M convertible bonds issued 11 March 2008, the US$300M convertible bonds issued 5 November 2010, the US$98.0M project finance loan for KM and the US$129.7M project finance loan for LHM Stage 3.

Income Tax Benefit of US$2.7M for the three months to 31 March 2012 is less than expected, based on the loss before tax, predominantly due to foreign exchange movements and tax losses no longer recognised.

Non-controlling Interest in net losses of US$1.9M is 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 resulting *Loss after Tax attributable to the members of the parent* for 2012 of US$17.5M is higher than the comparative quarter loss after tax for 2011 of US$13.5M predominantly as a result of the KM impairment of inventory expense discussed earlier.

The *Loss per Share* noted on the Income Statement reflects the underlying result for the specific reported periods and the additional shares issued in 2012 compared to 2011.

Nine Months Ended 31 March 2012

(References below to 2012 and 2011 refer to the equivalent nine months ended 31 March 2012 and 2011 respectively.)

Analysis of Income Statement

Revenue increased from US$208.7M to US$241.2M in 2012 as a result of increased sales of uranium of US$240.0M (2011: US$207.2M). Total sales volume for the nine months was 4.457Mlb U_3O_8 (2011: 3.713Mlb). LHM sold 3.127Mlb U_3O_8, including 0.650Mlb of LHM material sold through Paladin Energy Ltd, and KM sold 1.330Mlb U_3O_8. Total production for the nine months was 4.846Mlb U_3O_8 (2011: 4.231Mlb). LHM produced 3.094Mlb U_3O_8 (2011: 2.628Mlb) and KM produced 1.752Mlb U_3O_8 (2011: 1.603Mlb). The average realised uranium sales price in 2012 was US$54/lb U_3O_8 (2011: US$56/lb). The average sales price reflects the lower spot price during the period. A higher proportion of contracted deliveries are scheduled in the forthcoming three months to 30 June 2012. Confirmed sales nominations are more than 2Mlbs for the June 2012 quarter.

Gross Profit in 2012 of US$42.2M is higher than in 2011 (US$39.3M) due to higher sales volumes which has been partially offset by lower average sales prices. A higher proportion of sales were attributable to KM as production continued to ramp-up to design levels. The average C1 cost reduced slightly to US$34/lb (2011: US$35/lb). The C1 cost for LHM in 2012 increased to US$31/lb U_3O_8 (2011: US$27/lb) due to production disruptions associated with Stage 3 tie-ins. The C1 cost for KM in 2012 decreased to US$43/lb U_3O_8 (2011: US$51/lb) as a result of increased production levels as production nears design performance.

Exploration and Evaluation Expenditure of US$1.6M in 2012 relates to early stage work and project generation activities in Australia and Malawi and remains relatively unchanged from 2011 (US$1.8M).

Administration, Marketing Expenses and Site Non-production Costs have decreased from US$39.9M to US$36.6M due predominantly to corporate and marketing cost savings of US$3.6M achieved through the cost rationalisation programme that was announced to the market in the latter half of 2011. Tighter control has led to a reduction in corporate overheads including travel costs and outsourced work. Labour costs have reduced as the high capital investment phase has largely been completed. Additionally there has been a decrease of US$5.4M in non-cash share based payments expense as there has been no new grant of share rights in this period. These savings have been partially offset by an increase in expenditure of US$1.0M relating to the KM royalties, due to the increase in production, and US$1.4M relating to the addition of the Canadian operations as activity increases due to the lifting of the moratorium on mining, development and production of uranium.

Other Expenses and Income have increased from US$7.1M to US$200.4M due predominantly to an impairment of the KM assets in the September quarter of US$178.9M, a US$11.9M impairment of KM finished goods inventory discussed earlier and the write off of the fixed costs of KM during the plant shutdown of US$9.2M. The continued deterioration of the uranium price post-Fukushima resulted in a reduction of the carrying value of the KM assets, resulting in an impairment charge of US$133M (US$178.9M before tax reduced by a tax benefit of US$45.9M) (2011: US$Nil). The KM plant shutdown expenses are a result of the planned plant upgrade shutdown in August and the unscheduled shutdown of the drying and packaging plant and the acid plant caused by localised ground movement. The plant upgrade and remedial work has been completed and the KM plant recommenced production on 14 October 2011. Following remedial measures localised ground movement has abated with conditions continuing to be stable.

Finance Costs have decreased by US$9.7M to US$38.6M due to a portion of the LHM Stage 3 project finance loan being capitalised as part of the Stage 3 construction costs and in 2011 finance costs included the US$4.6M loss on the US$250M convertible bond buyback. Finance costs relate primarily to interest payable and accretion on the US$325M convertible bonds issued 11 March 2008, the US$300M convertible bonds issued 5 November 2010, the US$98.0M project finance loan for KM and the US$129.7M project finance loan for LHM Stage 3.

Income Tax Benefit of US$74.8M for the nine months to 31 March 2012 is larger than expected, based on the loss before tax, predominantly due to previously unrecognised losses of Summit being recognised to partially offset the deferred tax liability arising from the fair value adjustment of Summit exploration. Excluding this, the income tax benefit is broadly 30% of the loss before tax. This comprises a larger tax benefit in Namibia arising due to the foreign exchange movements which is largely offset by the tax losses for the Australian tax group not being recognised, as the non-producing assets are not yet sufficiently advanced to provide certainty, at this point in time, of recovery against future income. Malawi similarly had a significant foreign exchange movement, however the unrealised losses recognised on the US$ loans were offset by the foreign exchange impact on carried forward losses.

Non-controlling Interest in net losses of US$22.6M is 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 2012 of US$137.6M was higher than the loss after tax for 2011 of US$34.7M predominantly as a result of the recognition of the KM impairment expenses discussed earlier.

The *Loss per Share* noted on the Income Statement reflects the underlying result for the specific reported periods and the additional shares issued in 2012 compared to 2011.

Summary of Quarterly Financial Results

	2012 Mar Qtr US$M	2011 Dec Qtr US$M	2011 Sep Qtr US$M	2011 Jun Qtr US$M
Total revenues	67.8	70.4	103.0	60.2
(Loss)/profit after tax	(17.5)	3.2	(123.3)	(47.7)
Basic and diluted(loss)/profit per share (US cents)	(2.0)	0.4	(15.3)	(6.3)

	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)	(17.6)	(3.6)	(25.2)
Basic and diluted loss per share (US cents)	(1.7)	(2.5)	(0.5)	(3.5)

Total revenues for the quarters ended December 2011, September 2011, June 2011, have increased when compared to the equivalent comparative quarter as a result of higher sales volumes of uranium. Total revenues for the quarter ended March 2012 is lower than the comparative quarter due to lower sales of uranium as inventory is held in order to deliver into sales contracts in excess of 2Mlbs June 2012 quarter. Uranium sales tend to fluctuate quarter-on-quarter due to the uneven timing of contractual commitments and resultant delivery scheduling by utility customers, however a sales programme is in place to ensure that over time sales volumes and production volumes are aligned.

Loss after tax for the quarter ended March 2012 of US$17.5M is higher than the comparative quarter loss of US$13.5M predominantly as a result of a US$11.9M impairment of KM finished goods inventory discussed earlier.

Profit after tax for the quarter ended December 2011 of US$3.2M is a turnaround from the loss of US$17.6M in the comparative quarter predominantly as a result of higher sales volumes and prices, a higher proportion of LHM sales which has a lower cost of production than KM, lower finance costs in 2011 as the 2010 finance costs included the US$4.6M loss on the US$250M convertible bond buy back, other income in 2011 of US$2.1M relating foreign exchange gain (2010: US$2.3M foreign exchange loss) and the recognition of an income tax benefit of US$10.8M (2010: US$6.4M) predominantly due to previously unrecognised losses of Summit being recognised to partially offset the deferred tax liability arising on the fair value adjustment of Summit exploration.

Loss after tax for the quarter ended September 2011 of US$123.3M is higher than the loss after tax for 2010 of US$3.6M predominantly as a result of the recognition of the KM impairment expense of $133M.

Loss after tax for the quarter ended June 2011 of US$47.7M is higher than the comparative quarter loss of US$25.2M predominantly as a result of higher finance costs in 2011 after cessation of capitalisation of KM and the recognition of an impairment of inventory expense of US$23.4M.

(All figures are in US dollars unless otherwise indicated)

Segment Disclosure (refer to Note 3)

The profit before tax and finance costs of US$39.8M in the Namibian segment of the Company increased by US$2.2M (2011: US$37.6M) due to higher sales volumes. In the Malawian segment the Company reflected a loss before tax and finance costs of US$210.0M compared to a loss of US$8.9M in 2011 due to the recognition of the KM impairment expense detailed on page 16. Exploration activities have remained relatively consistent from 2011 to 2012. In the Unallocated portion, the Company reflected the remaining Income Statement activities which for 2012 comprise mainly marketing, corporate, finance and administration costs. This area has reduced from a net loss before finance costs of US$37.1M to a net loss of US$25.5M due to the benefits being realised from the cost optimisation programme.

SEGMENT GROSS PROFIT

	MARCH 2012 QUARTER			DECEMBER 2011 QUARTER		
	LHM	**KM**	**TOTAL**	**LHM**	**KM**	**TOTAL**
Volume Sold (lb)	*707,477*	*430,000*	*1,137,477*	*1,167,983*(1)	*150,000*	*1,317,983*
Average Sales Prices/lb			*US$59/lb*			*US$53/lb*
Revenue			US$67.3M			US$69.9M
Cost of Sales (C1)	US$21.0M	US$20.0M	US$41.0M	US$35.9M	US$6.9M	US$42.8M
Cost of Sales/lb (C1)	*US$30/lb*	*US$47/lb*	*US$36/lb*	*US$31/lb*	*US$46/lb*	*US$32/lb*
Profit after C1 costs			US$26.3M			US$27.1M
Other Revenue and Costs, mainly depreciation			US$11.1M			US$10.1M
GROSS PROFIT			**US$15.2M**			**US$17.0M**

(1) Includes 100,000lb of LHM produced U_3O_8 *sold via Paladin Energy Ltd as part of marketing arrangements.*

Sales of 1,137,477lb U_3O_8 at an average of US$59/lb generated revenue of US$67.3M in the quarter ended 31 March 2012. By comparison sales in the quarter ended 31 December 2011 were 1,317,983lb U_3O_8 at an average of US$53/lb generating revenue of US$69.9M. Average C1 cost of sales increased from US$32/lb to US$36/lb reflecting the higher proportion of sales from KM, which has a higher production cost than LHM.

C1 cost of sales for LHM in the quarter ended 31 March 2012 decreased to US$30/lb U_3O_8 (31 December 2011: US$31/lb U_3O_8) despite the effects of the stronger Namibian dollar.

C1 cost of sales for KM remained relatively stable at US$47/lb in the quarter ended 31 March 2012 (31 December 2011: US$46/lb U_3O_8). Inventory sold in the March quarter was partly produced in the September quarter when production was lower due to the plant shutdown. As production is nearing design performance, a key focus is cost optimisation. Specific targeted costs saving areas include acid, reagents, diesel, transport and providing increased opportunities for local workers.

The increase in other revenue and costs reflects the higher depreciation expense due to the larger proportion of sales from KM.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2012 US$M	2011 US$M	2012 US$M	2011 US$M
Net loss after tax from operations	(19.4)	(11.9)	(160.2)	(37.5)
Net (loss)/gain on available for sale financial assets	(4.5)	(25.0)	(9.4)	23.4
Transfer of available for sale reserve on acquisition	-	-	-	(3.2)
Foreign currency translation	20.0	24.1	(22.2)	131.1
Income tax on items of other comprehensive income	(0.1)	6.2	2.4	(12.0)
Total comprehensive (loss)/income for the period	(4.0)	(6.6)	(189.4)	101.8

Three months ended 31 March 2012

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 2012 of US$4.5M primarily relates to the fair value decrement in Deep Yellow Limited (DYL) 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 and Canadian dollar functional currencies into the Company presentation currency of US dollars on an ongoing basis and for the comparative period.

Income Tax on Items of Other Comprehensive Income in 2012 relates to tax on movements in Available-for-Sale Financial Assets.

Nine months ended 31 March 2012

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 2012 of US$9.4M primarily relates to the fair value decrement in DYL 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 and Canadian dollar functional currencies into the Company presentation currency of US dollars on an ongoing basis and for the comparative period.

Income Tax on Items of Other Comprehensive Income in 2012 relates to tax on movements in Available-for-Sale Financial Assets.

SUMMARISED STATEMENT OF FINANCIAL POSITION	**As at 31 March 2012 Unaudited US$M**	**As at 30 June 2011 Audited US$M**
Total current assets	356.3	329.4
Total non current assets	1,993.6	2,074.3
Total assets	2,349.9	2,403.7
Total current liabilities	441.1	118.9
Total non current liabilities	674.2	929.6
Total liabilities	1,115.3	1,048.5
Net Assets	**1,234.6**	**1,355.2**

Current Assets have increased to US$356.3M at 31 March 2012 due to an increase in trade and other receivables and inventories which has been partially offset by a decrease in cash.

Cash and cash equivalents have decreased to US$96.9M at 31 March 2012 as a result of the repayment of the LHM Stage 1 project finance facility, expenditure on the Stage 3 expansion at LHM, principal repayments for the KM project finance facility and LHM Stage 3 project finance facility, exploration and evaluation project expenditure as well as finance costs, corporate costs and an increase in trade and other receivables and inventories for the nine months ended 31 March 2012. This has been partially offset by the net drawdown of US$139.1M under the LHM Stage 3 project finance facility and the US$62.6M net proceeds from the capital raising. In May 2012, the Company completed its issue of US$274M senior, unsecured convertible bonds due 2017. The proceeds of the issue will be used in part to fund Paladin's concurrent tender offer to acquire up to US$200M of its US$325M issue of convertible bonds due in March 2013, with any amount not applied to the tender offer being utilised to strengthen the Company's balance sheet.

Trade and other receivables have increased from US$20.5M to US$33.7M at 31 March 2012 as a result of the timing of a US$5.2M sale in March 2012 and an increase in the VAT receivable in Namibia due to the higher Stage 3 production.

Inventories have increased from US$177.7M to US$208.8M at 31 March 2012 due to sales volumes for the nine months of 4.457Mlb U_3O_8, being lower than production volumes of 4.846Mlb U_3O_8. The increase is predominantly in order to deliver into sales contracts in excess of 2Mlbs in the June 2012 quarter together with a higher proportion of finished goods being held at KM, which has a higher cost than LHM finished goods. Delivery quantities under sales contracts are not evenly distributed from month to month resulting in fluctuations between production and sales between reporting periods.

Non Current Assets have decreased to US$1,993.6M at 31 March 2012 primarily as a result of property, plant and equipment, mine development and intangible assets decreasing due to the KM impairment expense recognised in September 2011 and through amortisation. This has been partially offset by capital expenditure on the Stage 3 expansion at LHM. The US$11.0M decrease in the exploration assets is due to the foreign exchange movement on the Australian and Canadian dollar denominated exploration assets because of the increase in value of the US dollar against both currencies. There was a decrease in the fair value of other financial assets primarily attributable to the decrease in the DYL share price and the foreign exchange movement due to the appreciation of the United States dollar against the Australian currency. ROM stockpiles have increased as planned ahead of the Stage 3 production expansion in order to meet the future mine plan ore-blend requirements. An increase in Deferred Tax Assets from US$19.7M to US$83.2M mainly relates to the tax effect of the impairment of the KM assets.

Current Liabilities have increased from US$118.9M to US$441.1M at 31 March 2012 primarily as a result of an increase in the current portion of interest bearing loans and borrowings of US$326.3M. This is due to the US$325M convertible bonds maturing on 11 March 2013 now being disclosed as current and US$22.2M drawn down under the LHM Stage 3 project finance facility which has partially been offset by the repayment of the current portion of US$16.2M of the LHM Stage 1 project finance facility.

Non Current Liabilities have decreased from US$929.6M to US$674.2M at 31 March 2012 primarily due the decrease in the non current portion of interest bearing loans and borrowings of US$240.4M. This is predominantly as a result of the US$325M convertible bonds maturing on 11 March 2013 now being disclosed as current, the repayment of the non current portion of US$8.6M of the LHM Stage 1 project finance facility, a US$29.9M repayment of the KM project finance facility and a US$11.3M repayment of the LHM Stage 3 project finance facility. This has been partially offset by the drawdown under the LHM Stage 3 project finance facility of US$118.5M.

Segment Disclosure (refer to Note 3)

In the Statement of Financial Position as at 31 March 2012, 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, a decrease in assets occurred in the period predominantly as a result of impairment of assets at the KM. The Exploration segment has increased marginally due to capitalised exploration expenditure and revaluations.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Nine Months Ended 31 March	
	2012 US$M	**2011 US$M**
Total equity at the beginning of the financial period	1,355.2	982.5
Total comprehensive (loss)/gain for the period	(189.4)	101.8
Recognised value of unlisted employee options and performance share rights	5.6	12.7
Movement in other reserves	-	21.5
Contributions of equity, net of transaction costs	63.2	292.1
Total Equity at the End of the Financial Period	**1,234.6**	**1,410.6**

Total Comprehensive Income for the Nine Months Ended 31 March 2012 is discussed under the Statement of Comprehensive Income section.

Recognised Value of Unlisted Employee Options and Performance Rights in 2012 totals US$5.6M (2011: US$12.7M). During the period 728,300 employee options were forfeited (2011: 3,599,271) with an exercise price of A$4.50 per share (2011: A$4.48 to A$8.77). During the period 1,082,641 performance share rights vested (2011: 550,580) and 743,075 performance share rights were cancelled (2011: 412,470).

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 $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. *Contributions of Equity* in 2012 of US$63.2M relates to the share placement of 56,866,232 shares at A$1.20 each. The number of fully paid ordinary shares on issue at 31 March 2012 is 835,645,290, an increase of 57,947,073 during the nine month period. Share options of 7,503,491 and performance rights of 5,121,621 remain outstanding at 31 March 2012 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	
	2012 US$M	**2011 US$M**	**2012 US$M**	**2011 US$M**
Net cash outflow from operating activities	(15.6)	(10.6)	(93.6)	(75.6)
Net cash outflow from investing activities	(5.2)	(28.9)	(64.1)	(102.3)
Net cash (outflow)/inflow from financing activities	(10.0)	(31.2)	135.7	9.0
Net decrease in cash held	(30.8)	(70.7)	(22.0)	(168.9)
Cash at the beginning of the financial period	126.9	251.8	117.4	348.8
Effects of exchange rate changes	0.8	0.2	1.5	1.4
Cash at the End of the Financial Period	**96.9**	**181.3**	**96.9**	**181.3**

Three months ended 31 March 2012

Net Cash Outflow from Operating Activities was US$15.6M in 2012 primarily due to the investment in working capital associated with the increase in production levels at LHM and KM and the timing of sales. The LHM and KM operations generated US$21.0M in cash in 2012 before investment in working capital of US$18.6M required to support higher production levels and payments for administration, marketing and site non-production costs of US$8.8M, exploration of US$0.2M and net interest paid of US$9.0M.

Net Cash Outflow from Investing Activities reduced to US$5.2M in 2012, due to construction of the Stage 3 expansion having been completed with only final claims still required to be paid. In 2011 US$28.9M was spent primarily on the Stage 3 expansion at LHM and capitalised exploration expenditure.

Net Cash Outflow from Financing Activities of US$10.0M in 2012 is attributable to repayment of project financing for KM. 2011 included a cash outflow of US$20.4M attributable to the final repayment of the US$250M convertible bond.

Net Decrease in Cash and Cash Equivalents in 2012 was US$30.8M, as compared to the net decrease in cash over the previous corresponding period in 2011 of US$70.7M. The change is predominantly the result of lower cash outflows from investing activities in 2012 as construction activities near completion and lower cash outflows from financing activities as 2011 included the final repayment of the US$250M convertible bond offset by higher sales receipts in 2011.

Effect of Exchange Rate Changes on cash balances is a gain of US$0.8M for 2012.

<u>Nine months ended 31 March 2012</u>

Net Cash Outflow from Operating Activities was US$93.6M in 2012 primarily due to the investment in working capital associated with the increase in production levels at LHM and KM and the timing of sales. The LHM and KM operations generated US$62.1M in cash in 2012 before investment in working capital required to support higher production levels and payments for administration, marketing and site non-production costs of US$30.0M, exploration of US$1.6M and net interest paid of US$26.4M

Net Cash Outflow from Investing Activities was US$64.1M in 2012 and US$102.3M in 2011 is due primarily to the Stage 3 expansion at LHM and capitalised exploration expenditure.

Net Cash Inflow from Financing Activities of US$135.7M in 2012 is attributable to the US$139.1M net drawdown proceeds of project financing for LHM and net proceeds of US$62.6M from the share placement partially offset by US$66M repayment of project financing for both LHM and KM. The net cash inflow of US$9.0M in 2011 was attributable to the US$300.0M convertible bond receipt partially offset by the full repayment of the $250M convertible bond and repayment of the project financing for LHM and KM.

Net Decrease in Cash and Cash Equivalents in 2012 was US$22.0M, as compared to the net decrease in cash over the previous corresponding period in 2011 of US$168.9M. The change is predominantly the result of the higher level of fundraising in 2012 through the US$139.1M net proceeds from the drawdown of LHM Stage 3 project finance facilities and the US$62.6M net proceeds received from the share placement compared with the net cash inflow of US$9.0M in 2011 arising from the funds raised from the issue of the US$300M convertible bond net of the repayment of the US$250M convertible bond and repayment of project financing for both LHM and KM. The completion of the high capital investment phase resulted in capital expenditure reducing significantly.

Effect of Exchange Rate Changes on cash balances is a gain of US$1.5M for 2012.

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal source of liquidity as at 31 March 2012 is cash of US$96.9M (30 June 2011: US$117.4M). 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$72.3M is held in US dollars.

The Group's principal sources of cash for the nine months ended 31 March 2012 were uranium sales receipts, net proceeds of US$62.6M from the share placement and net proceeds from the drawdown of US$139.1M under the LHM Stage 3 Project Finance Facility.

The remaining amount outstanding on the LHM project finance facilities was US$129.7M and for the KM project finance facility, US$98.0M.

Current liabilities increased from US$118.9M to US$441.1M as a result of the US$325M convertible bonds due in March 2013 becoming current. The Company addressed this matter post quarter; through the issue of US$274M convertible bonds (refer to page 27). The proceeds will be used, in part, to fund a concurrent tender offer to acquire up to US$200M of the US$325M issue of convertible bonds. Following the US$200M buyback the remaining US$125M of March 2013 convertible bonds are expected to be repaid from a combination of existing cash balances, cash generated from the LHM and KM operations and cash proceeds from the non-producing asset sales process.

The following is a summary of the Group's outstanding commitments as at 31 March 2012:

Payments due by period	***Total*** ***US$M***	***Less than 1 yr*** ***US$M***	***1 to 5yrs*** ***US$M***	***5yrs+ or unknown*** ***US$M***
Tenements	46.8	10.7	9.3	26.8
Mine construction	1.8	1.8	-	-
Operating leases	5.8	1.5	4.3	-
Manyingee acquisition costs	0.8	-	-	0.8
Total commitments	55.2	14.0	13.6	27.6

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.

(All figures are in US dollars unless otherwise indicated)

OUTSTANDING SHARE INFORMATION

As at 15 May 2012 Paladin had 835,645,290 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 15 May 2012	Number
Outstanding shares	835,645,290
Issuable under Executive Share Option Plan	7,379,819
Issuable under Employee Performance Share Rights Plan	6,986,521
Issuable in relation to the US$325 million Convertible Bonds	49,823,700
Issuable in relation to the US$300 million Convertible Bonds	53,495,007
Issuable in relation to the US$274 million Convertible Bonds	125,114,155
Total	**1,078,444,492**

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.

FINANCIAL INSTRUMENTS

At 31 March 2012 the Group has exposure to interest rate risk, which is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate project finance debt or opportunity losses that may arise on fixed rate convertible bonds in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the historically low US dollar interest rates of these financial instruments.

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

The Group'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 Group. The carrying amount of financial assets represents the maximum credit exposure. The Group trades only with recognised, credit worthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not material.

The Group's treasury function is responsible for the Group'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 Group'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 Group's optimal future capital structure.

Management plans to ensure that the Company has sufficient funds to meet the remaining US$125M balance of the 2013 convertible bonds due in March 2013 as described on page 24.

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 2012 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 2012, 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 2012. 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 2012.

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

Other than disclosed below, since the end of the nine month period, 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 Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 31 March 2012 Financial Report:

Appointment of New Chief Financial Officer

On 2 April 2012, the Company announced the appointment of Mr Alan Rule as Chief Financial Officer effective 23 July 2012 replacing the current CFO, Mr Garry Korte, who is departing the Company on amicable terms. Garry will leave the business on 24 May 2012. Alan is a Chartered Accountant with 27 years of experience including extensive commercial experience gained over 15 years as CFO and Company Secretary of 4 listed companies. Gillian Swaby, Company Secretary and EGM Corporate Services, will act as interim CFO from 24 May 2012 until Alan assumes the position in July.

Successful raising of US$274M through Convertible Bonds

On 1 May 2012, the Company announced the completion of its issue of US$274M senior, unsecured convertible bonds due 2017. The Convertible Bonds carry a coupon of 6.00% per annum payable semi-annually in arrear and are convertible into Paladin shares at an initial conversion price of US$2.19 per share, representing a conversion premium of approximately 25% above the reference price of Paladin shares at the time of pricing. Unless previously redeemed, purchased or cancelled, the Convertible Bonds will be redeemed at par on 30 April 2017. The proceeds of the issue will be used in part to fund Paladin's concurrent tender offer to acquire up to US$200M (or such higher amount as it determines in its absolute discretion) of its US$325M issue of convertible bonds due in March 2013, with any amount not applied to the tender offer being utilised to strengthen the Company's balance sheet and to pursue future growth opportunities.

Devaluation of Malawi Kwacha

The recent 50% devaluation of the national currency, the Kwacha, by the Government of Malawi brings the currency back to its market value and corrects the artificially high fixed rate that existed over the past few years. The devaluation to market rate is expected to remove the previous negative impact on Kayelekera Mine costs of the artificially high rate, with the US$ reported cost of production expected to reduce in line with the proportion of costs denominated in Kwacha.

Kayelekera Industrial Action

On 11 May 2012, the majority of the local work force at Kayelekera walked off the mine site in protest at the Company's refusal to accede to an unprecedented demand to grant an immediate 66% pay increase to compensate for the Malawi currency devaluation. The Company is advised that they plan to return to the site on Tuesday, 15 May 2012 (Monday, 14 May 2012 is a public holiday in Malawi). As a result of this illegal industrial action, production was shut down for some 22 hours, before recommencing midday on Saturday, 12 May 2012. The plant is expected to operate at about 65% capacity until striking national employees return to work. The expatriate workers, mining contract staff, security, essential services and some other local employees remained at or returned to work and will continue with their duties in the interim.

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

	Notes	Three Months Ended 31 March 2012 US$M	Three Months Ended 31 March 2011 US$M	Nine Months Ended 31 March 2012 US$M	Nine Months Ended 31 March 2011 US$M
Revenue					
Revenue	**4(a)**	67.8	92.9	241.2	208.7
Cost of sales	**4(b)**	(52.6)	(74.5)	(199.0)	(169.4)
Gross Profit		15.2	18.4	42.2	39.3
Other income	**4(c)**	-	2.0	2.4	0.8
Exploration and evaluation	**11**	(0.2)	(0.8)	(1.6)	(1.8)
Administration, marketing and site non-production costs	**4(d)**	(11.1)	(14.9)	(36.6)	(39.9)
Other expenses	**4(e)**	(15.3)	(0.8)	(202.8)	(7.9)
(Loss)/profit before interest and tax		(11.4)	3.9	(196.4)	(9.5)
Finance costs	**4(f)**	(10.7)	(14.6)	(38.6)	(48.3)
Loss before income tax		(22.1)	(10.7)	(235.0)	(57.8)
Income tax benefit/(expense)	**5**	2.7	(1.2)	74.8	20.3
Net loss after tax		(19.4)	(11.9)	(160.2)	(37.5)
Attributable to:					
Non controlling interests		(1.9)	1.6	(22.6)	(2.8)
Members of the parent		(17.5)	(13.5)	(137.6)	(34.7)
		(19.4)	(11.9)	(160.2)	(37.5)
Loss per share (US cents)					
Loss after tax from operations attributable to ordinary equity holders of the Company - basic and diluted (US cents)		(2.0)	(1.7)	(16.9)	(4.7)

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	
	2012 US$M	**2011 US$M**	**2012 US$M**	**2011 US$M**
Net loss after tax from operations	(19.4)	(11.9)	(160.2)	(37.5)
Other comprehensive income				
Net (loss)/gain on available-for-sale financial assets	(4.5)	(25.0)	(9.4)	23.4
Transfer of available-for-sale reserve on acquisition of entity	-	-	-	(3.2)
Foreign currency translation	20.0	24.1	(22.2)	131.1
Income tax on items of other comprehensive income	(0.1)	6.2	2.4	(12.0)
Other comprehensive income/(loss) for the period, net of tax	15.4	5.3	(29.2)	139.3
Total comprehensive (loss)/income for the period	(4.0)	(6.6)	(189.4)	101.8
Total comprehensive (loss)/income attributable to:				
Non controlling interests	(0.2)	2.2	(24.1)	10.7
Members of the parent	(3.8)	(8.8)	(165.3)	91.1
	(4.0)	(6.6)	(189.4)	101.8

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

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

	Notes	31 March 2012 US$M	30 June 2011 US$M
ASSETS			
Current assets			
Cash and cash equivalents	**6**	96.9	117.4
Trade and other receivables	**7**	33.7	20.5
Prepayments		16.9	13.8
Inventories	**8**	208.8	177.7
TOTAL CURRENT ASSETS		356.3	329.4
Non current assets			
Trade and other receivables	**7**	1.4	1.5
Inventories	**8**	105.0	73.6
Other financial assets		32.3	41.8
Property, plant and equipment	**9**	501.1	630.1
Mine development	**10**	85.1	106.6
Exploration and evaluation expenditure	**11**	1,166.9	1,177.9
Deferred tax asset		83.2	19.7
Intangible assets	**12**	18.6	23.1
TOTAL NON CURRENT ASSETS		1,993.6	2,074.3
TOTAL ASSETS		2,349.9	2,403.7
LIABILITIES			
Current liabilities			
Trade and other payables		67.8	69.7
Interest bearing loans and borrowings	**13**	370.2	43.9
Provisions	**14**	3.1	5.3
TOTAL CURRENT LIABILITIES		441.1	118.9
Non current liabilities			
Interest bearing loans and borrowings	**13**	435.4	675.8
Deferred tax liabilities		202.4	217.5
Provisions	**14**	36.4	36.3
TOTAL NON CURRENT LIABILITIES		674.2	929.6
TOTAL LIABILITIES		1,115.3	1,048.5
NET ASSETS		1,234.6	1,355.2
Equity			
Contributed equity	**15(a)**	1,835.9	1,768.1
Reserves		178.6	205.2
Accumulated losses		(839.5)	(701.8)
Parent interests		1,175.0	1,271.5
Non-controlling interests		59.6	83.7
TOTAL EQUITY		1,234.6	1,355.2

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 2010	**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**
Loss for the period	-	-	-	-	-	-	-	-	(34.7)	(34.7)	(2.8)	(37.5)
Other comprehensive income	2.8	14.3	-	-	108.7	-	-	-	-	125.8	13.5	139.3
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)	-	-	-	-	-	-	-	-	-
Convertible bonds – equity component, net of tax	-	-	-	28.1	-	-	-	-	-	28.1	-	28.1
Convertible bonds – buyback	-	-	-	(6.6)	-	-	-	-	-	(6.6)	-	(6.6)
Contributions of equity, net of transactions costs	290.8	-	-	-	-	-	-	-	-	290.8	1.3	292.1
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**
Balance at 1 July 2011	**1,768.1**	**11.7**	**49.5**	**60.4**	**68.8**	**14.9**	**0.1**	**(0.2)**	**(701.8)**	**1,271.5**	**83.7**	**1,355.2**
Loss for the period	-	-	-	-	-	-	-	-	(137.7)	(137.7)	(22.5)	(160.2)
Other comprehensive income	-	(7.0)	-	-	(20.6)	-	-	-	-	(27.6)	(1.6)	(29.2)
Total comprehensive income/(loss) for the nine months, net of tax	-	(7.0)	-	-	(20.6)	-	-	-	(137.7)	(165.3)	(24.1)	(189.4)
Share-based payment	-	-	5.6	-	-	-	-	-	-	5.6	-	5.6
Vesting of performance rights	4.6	-	(4.6)	-	-	-	-	-	-	-	-	-
Contributions of equity, net of transaction costs	63.2	-	-	-	-	-	-	-	-	63.2	-	63.2
Balance at 31 March 2012	**1,835.9**	**4.7**	**50.5**	**60.4**	**48.2**	**14.9**	**0.1**	**(0.2)**	**(839.5)**	**1,175.0**	**59.6**	**1,234.6**

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	
	2012 US$M	**2011 US$M**	**2012 US$M**	**2011 US$M**
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	102.6	80.2	234.8	208.4
Payments to suppliers and employees	(109.2)	(79.7)	(300.6)	(256.0)
Exploration and evaluation expenditure	(0.2)	(0.8)	(1.6)	(1.8)
Other income	0.2	-	0.2	0.1
Interest received	0.3	0.2	1.0	1.3
Interest paid	(9.3)	(10.5)	(27.4)	(27.6)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(15.6)	(10.6)	(93.6)	(75.6)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment	(3.0)	(34.5)	(54.0)	(100.3)
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	(2.2)	(3.3)	(10.1)	(14.6)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(5.2)	(28.9)	(64.1)	(102.3)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from subsidiary rights issue	-	-	-	1.3
Proceeds from share placement	-	-	64.7	-
Equity fundraising costs	-	-	(2.1)	-
Debt finance facility establishment costs	-	-	(1.9)	-
Convertible bond establishment costs	-	(0.8)	-	(6.7)
Repayment of borrowings	(10.0)	(10.0)	(66.0)	(44.3)
Drawdown of borrowings	-	-	141.0	12.0
Proceeds from convertible bonds	-	-	-	300.0
Repayment of convertible bonds	-	(20.4)	-	(253.3)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(10.0)	(31.2)	135.7	9.0
NET DECREASE IN CASH AND CASH EQUIVALENTS	(30.8)	(70.7)	(22.0)	(168.9)
Cash and cash equivalents at the beginning of the financial period	126.9	251.8	117.4	348.8
Effects of exchange rate changes on cash and cash equivalents	0.8	0.2	1.5	1.4
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	96.9	181.3	96.9	181.3

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 2012 was authorised for issue in accordance with a resolution of the Directors on 11 May 2012.

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 27.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the nine months ended 31 March 2012 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 2012 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 2011 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.

New and amended accounting standards and interpretations

From 1 July 2011 the Company has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2011.

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. 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. The Unallocated portion covers the Company's sales and marketing, treasury, corporate and administration activities.

Discrete financial information about each of these operating segments is reported to the Group's executive management team (chief operating decision makers) on at least a monthly basis.

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

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

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

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

- Interest revenue
- Non project finance interest and borrowing expense
- Unallocated corporate and labour costs

The Group's customers are major utilities and other entities located mainly in North America, Australia, Asia and Europe. These revenues are attributed the geographic location of the mines being the reporting segments Namibia and Malawi.

NOTE 3. SEGMENT INFORMATION (continued)

The following tables present revenue, expenditure and asset information regarding geographical segments for the nine months ended 31 March 2012 and 31 March 2011.

Nine months ended 31 March 2012	**Exploration US$M**	**Namibia US$M**	**Malawi US$M**	**Unallocated US$M**	**Consolidated US$M**
Sales to external customers	-	162.8	77.2	-	240.0
Other revenue	-	0.2	-	1.0	1.2
Total consolidated revenue	**-**	**163.0**	**77.2**	**1.0**	**241.2**
Segment (loss)/profit before income tax and finance costs	(0.7)	39.8	(210.0)	(25.5)	(196.4)
Finance costs	-	(5.6)	(5.6)	(27.4)	(38.6)
Loss before income tax					(235.0)
Income tax benefit	0.2	0.7	63.5	10.4	74.8
Loss after income tax					(160.2)
Segment assets/total assets	1,171.9	593.2	485.6	99.2	2,349.9

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	**-**	**124.1**	**80.4**	**4.2**	**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	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

NOTE 4. REVENUE AND EXPENSES

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2012 US$M	**2011 US$M**	**2012 US$M**	**2011 US$M**
(a) Revenue				
Sale of uranium	67.3	92.5	240.0	207.2
Interest income from non-related parties	0.4	0.3	1.1	1.2
Database licence revenue	-	0.1	-	0.2
Other revenue	0.1	-	0.1	0.1
Total	67.8	92.9	241.2	208.7
(b) Cost of Sales				
Costs before depreciation and amortisation	(41.0)	(58.0)	(153.7)	(129.9)
Depreciation and amortisation	(8.3)	(11.0)	(33.1)	(26.9)
Product distribution costs	(2.0)	(3.3)	(7.3)	(7.3)
Royalties	(1.3)	(2.2)	(4.9)	(5.3)
Total	(52.6)	(74.5)	(199.0)	(169.4)
(c) Other income				
Gain on disposal of investment	-	0.8	-	0.8
Foreign exchange gain (net)	-	1.2	2.4	-
Total	-	2.0	2.4	0.8
(d) Administration and marketing and site non-production costs				
Corporate and marketing	(4.8)	(8.3)	(15.7)	(19.3)
LHM and KM	(2.0)	(2.2)	(7.0)	(7.1)
Canada	(0.9)	(0.5)	(1.9)	(0.5)
Share based payments – non-cash	(1.8)	(2.7)	(5.2)	(10.6)
Depreciation – non-cash	(0.5)	(0.2)	(1.6)	(0.7)
Royalties	(0.7)	(0.4)	(1.7)	(0.7)
LHM Stage 4 expansion evaluation project	(0.4)	(0.6)	(3.5)	(1.0)
Total	(11.1)	(14.9)	(36.6)	(39.9)

NOTE 4. REVENUE AND EXPENSES (continued)

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2012 US$M	2011 US$M	2012 US$M	2011 US$M
(e) Other expenses				
Loss on disposal of property, plant and equipment	-	(0.8)	-	(0.8)
Impairment of inventory [(1)]	(11.9)	-	(11.9)	(3.0)
Impairment of assets [(2)]	-	-	(178.9)	-
Slope remediation [(3)]	(1.2)	-	(2.0)	-
KM fixed costs during plant shutdown	-	-	(9.2)	-
KM medical expenses [(4)]	(0.8)	-	(0.8)	-
Foreign exchange loss (net)	(1.4)	-	-	(4.1)
Total	(15.3)	(0.8)	(202.8)	(7.9)

[(1)] March 2012 – an impairment was required to reduce the cost of KM finished goods inventory held at 31 March 2012 to a net realisable value using the current lower uranium market prices.
[(2)] September 2011 – the continued deterioration of the uranium price post-Fukushima has resulted in a reduction of the carrying value to the recoverable amount of US$337M of the KM assets from US$470M resulting in an impairment charge of US$133M (US$178.9M before tax reduced by a tax benefit of US$45.9M) (2011: US$Nil).
[(3)] Slope remediation expenditure previously capitalised during the six months ended 31 December 2011. Pending the outcome of the insurance claim currently with the underwriter's loss adjustor.
[(4)] KM medical expenditure previously capitalised pending the outcome of an insurance claim currently with the underwriter.

(f) Finance costs

	2012 US$M	2011 US$M	2012 US$M	2011 US$M
Interest expense	(6.4)	(10.2)	(24.8)	(27.7)
Accretion relating to convertible bonds (non cash)	(3.0)	(2.9)	(8.8)	(9.0)
Loss on convertible bond buyback (non-cash)	-	-	-	(4.6)
Mine closure provision discount interest expense	(0.3)	(0.5)	(1.2)	(1.5)
Facility costs	(1.0)	(1.0)	(3.8)	(5.5)
Total	(10.7)	(14.6)	(38.6)	(48.3)

NOTE 5. INCOME TAX

Reconciliation of accounting loss to income tax benefit/expense

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2012 US$M	**2011 US$M**	**2012 US$M**	**2011 US$M**
Loss before income tax expense	(22.1)	(10.7)	(235.0)	(57.8)
Tax at the Australian rate of 30% (2011 – 30%)	(6.6)	(3.2)	(70.5)	(17.3)
Tax effect of amounts which are (deductible)/ taxable in calculating taxable income:				
Share-based payments	0.2	0.8	1.3	3.2
Permanent foreign exchange functional currency differences	6.3	(5.3)	(26.2)	3.9
Other expenditure (deductible)/not allowable	(0.3)	(2.5)	0.5	(0.2)
	(0.4)	(10.2)	(94.9)	(10.4)
Difference in overseas tax rates	0.5	0.4	7.1	2.7
Under/(over) prior year adjustment	-	8.5	(7.1)	8.5
Losses not recognised	4.4	7.3	15.3	0.2
Foreign exchange translation differences	(5.0)	(2.9)	17.2	(9.0)
Convertible notes	-	(0.9)	-	(7.0)
Losses previously not recognised now recognised	(0.7)	(3.0)	(11.8)	(5.6)
Other	(1.5)	2.0	(0.6)	0.3
Income tax (benefit)/expense reported in Income Statement	(2.7)	1.2	(74.8)	(20.3)

NOTE 6. CASH AND CASH EQUIVALENTS

	31 March 2012 US$M	30 June 2011 US$M
Cash at bank and on hand	23.9	27.6
Short-term bank deposits	73.0	89.8
Total cash and cash equivalents	96.9	117.4

Total cash and cash equivalents includes US$26.1M (2011 : US$19.5M) 'restricted for use funds' in respect of the LHM and KM project finance facilities.

NOTE 7. TRADE AND OTHER RECEIVABLES

	31 March 2012 US$M	30 June 2011 US$M
Current		
Trade receivables	5.2	-
Less provision for doubtful debts	-	-
Net trade receivables	5.2	-
Interest receivables	0.1	-
GST and VAT	22.4	11.9
Sundry debtors	6.0	8.6
Total current receivables	33.7	20.5
Non Current		
Sundry debtors	1.4	1.5
Total non current receivables	1.4	1.5

NOTE 8. INVENTORIES

	31 March 2012 US$M	30 June 2011 US$M
Current		
Stores and spares (at cost)	41.8	30.3
Stockpiles (at cost)	1.8	2.5
Stockpiles (at net realisable value)	10.2	7.3
Work-in-progress (at cost)	3.2	3.1
Work-in-progress (at net realisable value)	10.6	4.6
Finished goods (at cost)	69.9	78.5
Finished goods (at net realisable value)	71.3	51.4
Total current inventories at the lower of cost and net realisable value	208.8	177.7
Non Current		
Stockpiles (at cost)	100.3	71.2
Stockpiles (at net realisable value)	4.7	2.4
Total non current inventories at the lower of cost and net realisable value	105.0	73.6

Stockpiles at LHM and KM that are classified as non current are unlikely to be processed within 12 months of the balance date.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	31 March 2012 US$M	30 June 2011 US$M
Plant and equipment (at net realisable value) (1)(2)(3)	690.2	566.6
Less accumulated depreciation and impairment (4)	(210.4)	(80.6)
Total plant and equipment	479.8	486.0
Land and buildings (at cost)	11.4	11.4
Less accumulated depreciation	(1.7)	(1.5)
Total land and buildings	9.7	9.9
Construction work in progress (at net realisable value) (3)(5)(6)	11.6	134.2
Total property, plant and equipment (at net realisable value)	501.1	630.1

(1) Tailings Dam at LHM transferred from plant & equipment to mine development of $24.4M.
(2) Includes additions of US$42.7M
(3) LHM Stage 3 construction transferred from construction work in progress to plant & equipment of $159.1M.
(4) Includes US$130.7M impairment charge
(5) Includes additions of US$9.9M
(6) Includes US$1.5M impairment charge

NOTE 10. MINE DEVELOPMENT

	31 March 2012 US$M	30 June 2011 US$M
Mine development (at net realisable value) (1)(2)	159.7	122.4
Less accumulated depreciation and impairment (3)	(74.6)	(15.8)
Total mine development	85.1	106.6

(1) Tailings Dam at LHM transferred from plant & equipment to mine development of $24.4M.
(2) Includes additions of US$8.2M
(3) Includes US$42.9M impairment charge

NOTE 11. 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 2012:

Areas of interest	Valhalla /Skal [1]	Isa North	Fusion	Angela/ Pamela	Bigrlyi	Niger	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 2011	**663.1**	**156.5**	**12.3**	**6.9**	**29.4**	**36.0**	**-**	**-**	**269.1**	**4.6**	**1,177.9**
Project exploration and evaluation expenditure											
Labour	0.8	0.6	0.1	0.1	1.0	0.3	0.2	-	1.2	0.8	5.1
Outside services	1.3	0.6	-	0.1	0.5	-	0.5	0.1	-	0.1	3.2
Other expenses	1.0	0.8	0.1	0.1	0.8	0.3	0.3	-	0.4	0.5	4.3
Total expenditure	3.1	2.0	0.2	0.3	2.3	0.6	1.0	0.1	1.6	1.4	12.6
Expenditure expensed	-	-	-	(0.1)	-	-	(1.0)	-	-	(0.5)	(1.6)
Expenditure capitalised	3.1	2.0	0.2	0.2	2.3	0.6	-	0.1	1.6	0.9	11.0
Foreign exchange differences	(13.0)	(3.2)	(0.2)	(0.1)	(0.6)	-	-	-	(5.4)	(0.2)	(22.7)
Transferred to Mine Development	-	-	-	-	-	-	-	(0.1)	-	-	(0.1)
Transferred from Property Plant & Equipment	-	-	-	-	-	-	-	-	0.8	-	0.8
Balance 31 March 2012	**653.2**	**155.3**	**12.3**	**7.0**	**31.1**	**36.6**	**-**	**-**	**266.1**	**5.3**	**1,166.9**

[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 12. INTANGIBLE ASSETS

	31 March 2012 US$M	30 June 2011 US$M
Intangible assets (at net realisable value)	27.8	27.8
Accumulated amortisation and impairment (1)	(9.2)	(4.7)
Net carrying amount of non current intangible assets	18.6	23.1

(1) Includes US$3.8M impairment charge

NOTE 13. INTEREST BEARING LOANS AND BORROWINGS

	Maturity	31 March 2012 US$M	30 June 2011 US$M
Current			
Secured bank loans		50.4	43.9
Unsecured convertible bonds	2013	319.8	-
Total current interest bearing loans and borrowings		370.2	43.9
Non Current			
Unsecured convertible bonds (1)	2013	-	315.6
Unsecured convertible bonds (2)	2015	264.8	258.6
Secured bank loan	amortised to 2012	-	8.1
Secured bank loan	amortised to 2015	64.9	93.5
Secured bank loan	amortised to 2017	105.7	-
Total non current interest bearing loans and borrowings		435.4	675.8

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

Unsecured convertible bonds

(1) On 11 March 2008, the Company issued US$325M in convertible bonds with an underlying coupon rate of 5.0% (underlying effective interest rate of 7.13%), maturity 11 March 2013 and a conversion price of US$6.52 for Company shares.

(2) On the 5 November 2010, the Company issued US$300M in convertible bonds with an underlying coupon rate of 3.625%, (underlying effective interest rate of 7.47%) maturing on 5 November 2015 with a conversion price of US$5.61 for Company shares.

Pursuant to the terms of the Bonds the prevailing Conversion Price is subject to adjustment where any new issue of shares is at less than 95% of the Current Market Price. Following the completion of the Placement on 6 October 2011, the Conversion Prices have been adjusted as follows:

Convertible bonds due 2013: US$6.523 (previously US$6.59)
Convertible bonds due 2015: US$5.608 (previously US$5.665)

NOTE 13. INTEREST BEARING LOANS AND BORROWINGS (continued)

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

Secured bank loans

<u>Langer Heinrich Mine, Namibia - US$71M Stage 1 Project Finance Facility</u>
On 26th May 2006 the Company entered into a project financing facility amounting to US$71M for the construction of the LHM. The financing was provided by Société Générale Australia Branch (as lead arranger), Nedbank Capital and Standard Bank Limited and consisted of a seven year project finance facility of US$65M and a standby cost overrun facility of US$6M.

Part of the proceeds of the LHM - US$141M Stage 3 project finance facility (see below) have been used to repay this facility in full. At 31 March 2012 US$Nil (30 June 2011: US$24.8M) was outstanding under the LHM Stage 1 project finance facility.

<u>Kayelekera Mine, Malawi - US$167M Project Finance Facility</u>
On 30th March 2009, the Company entered into a project financing facility amounting to US$167M for the construction of the KM. The project finance consists of a six year project finance facility of US$145M, a standby cost overrun facility of US$12M and a performance bond facility of US$10M. The facilities are being provided by Société Générale Corporate and Investment Banking (as inter-creditor agent and commercial lender), Nedbank Capital a division of Nedbank Limited (ECIC lender) and Standard Bank Limited (as ECIC facility agent and lender). The facilities are secured over the assets of Paladin (Africa) Ltd. The commercial bank tranche bears interest at the London Interbank Offered Rate (LIBOR) plus 3.0% and reduces to LIBOR plus 2.5% post the completion date. The ECIC tranche bears interest at LIBOR plus 2.5% whilst the cost overrun facility bears interest at LIBOR plus 3.5%. The facilities are repayable on a four monthly basis over the term of the loan. The Company has provided a project completion guarantee as part of the facilities.

At 31 March 2012 US$98.0M (30 June 2011: US$127.9M) was outstanding under the KM project finance facility.

<u>Langer Heinrich Mine, Namibia - US$141M Stage 3 Project Finance Facility</u>
On 26th August 2011 the Company entered into a project financing facility amounting to US$141M for the construction of Stage 3 of the LHM. The financing is provided by Société Générale (as Agent), Nedbank Capital, Standard Bank Plc, Barclays Capital (the investment banking division of Barclays Bank PLC) and Rand Merchant Bank, a division of FirstRand Bank Limited. The facility consists of a six year US$135M project financing facility and a US$6M cost overrun facility. The facility was fully drawn down during the December 2011 quarter. The facility bears interest at the London Interbank Offered Rate (LIBOR) plus 3.75% and reduces to LIBOR plus 3.25% post the completion date. The facilities are repayable on a six monthly basis over the term of the loan. The facilities are secured with fixed and floating charges over the assets of Langer Heinrich Uranium (Pty) Ltd and its immediate holding companies.

At 31 March 2012 US$129.7M (30 June 2011: US$Nil) was outstanding under the LHM Stage 3 project finance facility.

Deferred borrowing costs relating to the establishment of the facilities have been set off against the balance of the interest bearing loans and borrowings.

NOTE 14. PROVISIONS

	31 March 2012 US$M	30 June 2011 US$M
Current		
Employee benefits	3.1	5.3
Total current provisions	3.1	5.3
Non Current		
Employee benefits	5.5	3.3
Rehabilitation provision	28.7	30.6
Demobilisation provision	2.2	2.4
Total non current provisions	36.4	36.3

NOTE 15. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	31 March		31 March	
	2012	2011	2012	2011
Ordinary shares	Number of Shares		US$M	US$M
Issued and fully paid	835,645,290	777,698,217	1,835.9	1,770.9

NOTE 15. CONTRIBUTED EQUITY (continued)

(b) Movements in ordinary shares on issue

Date		**Number of Shares**	**Issue Price A$**	**Exchange Rate US$: A$**	**Total US$M**
Balance 30 June 2010		717,142,802			1,474.6
August 2010	Rights vested	750,000(1)	-	-	-
September 2010	Rights vested	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	Rights vested	20,000	-	-	-
	Transfer from share based payments reserves				2.7
	Tax effect on prior period				3.1(2)
	Transaction costs				(0.3)
Balance 31 March 2011		**777,698,217**(1)			**1,770.9**

(1)Includes 500,000 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.

Balance 30 June 2011		777,698,217			1,768.1
September 2011	Rights vested	827,515	-	-	-
September 2011	Share placement	56,866,232	1.20	1.04459	65.3
October 2011	Rights vested	37,500	-	-	-
November 2011	Rights vested	54,600	-	-	-
January 2012	Rights vested	1,980	-	-	-
February 2012	Rights vested	159,246	-	-	-
	Transfer from share based payments reserves				4.6
	Transaction costs				(2.1)
Balance 31 March 2012		**835,645,290**(1)			**1,835.9**

(1)Includes 248,200 shares held by Paladin Employee Plan Pty Ltd.

EXPRESSED IN US DOLLARS

NOTE 15. 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 2012 Number
Number of unlisted employee options	7,503,491

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	5,978,491
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	475,000
14 October 2008	14 October 2011	14 October 2013	A$2.54	750,000
Total				7,503,491

(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 2012 Number
Number of unlisted employee share rights	5,121,621

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 2012	Time based	791,275
26 March 2010	1 September 2012	Relative total shareholder return	633,020
26 March 2010	1 September 2012	Market price	949,530
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 2012	Time based	262,837
5 November 2010	1 September 2013	Time based	438,063
5 November 2010	1 September 2013	Relative total shareholder return	350,450
5 November 2010	1 September 2013	Market price	525,675
15 February 2011	15 February 2013	Time based	166,121
15 February 2011	15 February 2014	Time based	204,650
Total			5,121,621

NOTE 16. COMMITMENTS AND CONTINGENCIES

There were no outstanding commitments or contingencies, which are not disclosed in the Financial Report of the Group as at 31 March 2012 other than:

(a) Tenements	**31 March 2012 US$M**	**31 March 2011 US$M**
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	10.7	16.0
Later than one year but not later than 5 years	9.3	20.4
More than 5 years	26.8	26.6
Total tenements commitment	46.8	63.0

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

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

(b) Mine Construction Commitments	**31 March 2012 US$M**	**31 March 2011 US$M**
Commitments for mine construction contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	1.8	29.3
Later than one year but not later than 5 years	-	-
More than 5 years	-	-
Total mine construction	1.8	29.3

These commitments in 2012 relate to construction of Stage 3 at LHM which is now substantially completed (2011: construction of Stage 3 at LHM).

NOTE 16. COMMITMENTS AND CONTINGENCIES (continued)

(c) Operating Lease Commitments

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

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

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	31 March 2012 US$M	31 March 2011 US$M
Within one year	1.5	1.5
Later than one year but not later than 5 years	4.3	5.3
More than 5 years	-	0.3
Total operating lease commitment	5.8	7.1

(d) Legal Actions

Isa Uranium Joint Venture

The Summit Proceedings, as referenced in previous financial reports, are now at an end, and the Company has no further exposure in those proceedings. Further, as a consequence of obligations contained in the settlement deed in relation to the Areva intervention proceedings, Resolute Pty Ltd (Resolute) has paid to the Company an amount of A$1 million and the Indemnity from Resolute has been released.

NOTE 17. EVENTS AFTER THE BALANCE SHEET DATE

Other than disclosed below, 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 Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 31 March 2012 Financial Report:

Appointment of New Chief Financial Officer

On 2 April 2012, the Company announced the appointment of Mr Alan Rule as Chief Financial Officer effective 23 July 2012 replacing the current CFO, Mr Garry Korte, who is departing the Company on amicable terms. Garry will leave the business on 24 May 2012. Alan is a Chartered Accountant with 27 years of experience including extensive commercial experience gained over 15 years as CFO and Company Secretary of 4 listed companies. Gillian Swaby, Company Secretary and EGM Corporate Services, will act as interim CFO from 24 May 2012 until Alan assumes the position in July.

NOTE 17. EVENTS AFTER THE BALANCE SHEET DATE (continued)

Successful raising of US$274M through Convertible Bonds

On 1 May 2012, the Company announced the completion of its issue of US$274M senior, unsecured convertible bonds due 2017. The Convertible Bonds carry a coupon of 6.00% per annum payable semi-annually in arrear and are convertible into Paladin shares at an initial conversion price of US$2.19 per share, representing a conversion premium of approximately 25% above the reference price of Paladin shares at the time of pricing. Unless previously redeemed, purchased or cancelled, the Convertible Bonds will be redeemed at par on 30 April 2017. The proceeds of the issue will be used in part to fund Paladin's concurrent tender offer to acquire up to US$200M (or such higher amount as it determines in its absolute discretion) of its US$325M issue of convertible bonds due in March 2013, with any amount not applied to the tender offer being utilised to strengthen the Company's balance sheet and to pursue future growth opportunities.

Devaluation of Malawi Kwacha

The recent 50% devaluation of the national currency, the Kwacha, by the Government of Malawi brings the currency back to its market value and corrects the artificially high fixed rate that existed over the past few years. The devaluation to market rate is expected to remove the previous negative impact on Kayelekera Mine costs of the artificially high rate, with the US$ reported cost of production expected to reduce in line with the proportion of costs denominated in Kwacha.

Kayelekera Industrial Action

On 11 May 2012, the majority of the local work force at Kayelekera walked off the mine site in protest at the Company's refusal to accede to an unprecedented demand to grant an immediate 66% pay increase to compensate for the Malawi currency devaluation. The Company is advised that they plan to return to the site on Tuesday, 15 May 2012 (Monday, 14 May 2012 is a public holiday in Malawi). As a result of this illegal industrial action, production was shut down for some 22 hours, before recommencing midday on Saturday, 12 May 2012. The plant is expected to operate at about 65% capacity until striking national employees return to work. The expatriate workers, mining contract staff, security, essential services and some other local employees remained at or returned to work and will continue with their duties in the interim.

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 2012.

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 2011 to 31 March 2012 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Dated: 15 May 2012

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 2012.

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 2011 to 31 March 2012 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Dated: 15 May 2012

Garry Korte
Chief Financial Officer