



PALADIN ENERGY LTD

ACN 061 681 098

17 December 2008

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Takeover bid by Paladin Energy Ltd ABN 47 061 681 098 for Fusion Resources Limited

Bidder's statement and Notice of people to whom information is to be sent

We attach, by way of service:

- pursuant to item 5 of subsection 633(1) of the *Corporations Act 2001* (Cth) (the **Corporations Act**), a copy of Paladin Energy Ltd's (**Paladin**) bidder's statement in relation to Paladin's off-market takeover bid for all the fully paid ordinary shares in Fusion Resources Limited (**Fusion**) (**Bidder's Statement**);
- pursuant to subsection 633(4) of the Corporations Act, a notice confirming the people to whom information is to be sent under items 6 and 12 of subsection 633(1) of the Corporations Act in relation to Paladin's off-market takeover bid for all the fully paid ordinary shares in Fusion; and
- pursuant to subsection 630(5)(b) of the Corporations Act and as required by subsection 630(4) of the Corporations Act, a notice of fulfilment of the conditions in sections 12.8(e) and 12.8(f) of the Bidder's Statement (relating to the Fusion Preference Shares and the Valhalla North Uranium Project JORC Code Resources respectively - refer to Section 12.9 of the Bidder's Statement).

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF
Managing Director / CEO

Attached

- 1 Bidder's Statement
- 2 Notice confirming the people to whom information is to be sent

December 17, 2008

Paladin Energy Ltd ABN 47 061 681 098

Notice that defeating conditions to takeover bid fulfilled

To: Fusion Resources Limited ABN 68 100 287 385
ASX Limited

For the purposes of section 630(4) of the Corporations Act 2001 (Cth), Paladin Energy Limited gives notice declaring that the conditions to its takeover offers for all the fully paid ordinary shares in Fusion Resources Limited ("**Offers**"), set out in sections 12.8(e) and 12.8(f) of its bidder's statement dated 17 December 2008, have been fulfilled.

Date: 17 December 2008

Signed for and on behalf of Paladin Energy Ltd by

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

John Borshoff
Managing Director/CEO

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

Bidder's Statement

containing an Offer by



PALADIN ENERGY LTD
ABN 47 061 681 098

to purchase all of your ordinary shares in

Fusion Resources Limited
ABN 68 100 287 385

**You will receive 1 Paladin Share for
every 6 of Your Fusion Shares**

Fusion Directors unanimously recommend you

accept the Offer

(in the absence of a superior offer)

Advisers to Paladin



Azure Capital

BLAKISTON & CRABB
LAWYERS

Important information

This Bidder's Statement is issued by Paladin Energy Ltd ABN 47 061 681 098 (Paladin) under Part 6.5 of the Corporations Act.

A copy of this Bidder's Statement was lodged with ASIC on 17 December 2008. Neither ASIC nor its officers takes any responsibility for the content of this Bidder's Statement.

Investment advice

In preparing this Bidder's Statement, Paladin has not taken into account the individual objectives, financial situation or individual needs of individual Fusion shareholders. Accordingly, before making a decision whether or not to accept the Offer, you may wish to consult with your financial or other professional adviser.

Disclaimer as to forward looking statements

Some of the statements appearing in this Bidder's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Fusion and Paladin and the members of the Paladin Group operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Paladin, the officers of Paladin, any persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

Disclaimer as to Fusion and Merged Entity information

The information on Fusion, Fusion's securities and Fusion Group contained in this Bidder's Statement has been prepared by Paladin using publicly available information and limited information made available to Paladin by Fusion.

The information in this Bidder's Statement concerning Fusion and the assets and liabilities, financial position and performance, profits and losses and prospects of the Fusion Group, has not been independently verified by Paladin. Accordingly Paladin does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on the Merged Entity contained in this Bidder's Statement, to the extent that it incorporates or reflects information on Fusion and the Fusion Group, has also been prepared using publicly available information and limited information made available to Paladin by Fusion. Accordingly, information in relation to the Merged Entity is subject to the foregoing disclaimer to that extent.

Further information relating to Fusion's business may be included in Fusion's target's statement which Fusion must provide to its shareholders in response to this Bidder's Statement.

Foreign jurisdictions

The distribution of this Bidder's Statement in jurisdictions outside Australia, New Zealand and Canada may be restricted by law, and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Bidder's Statement does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify Paladin or to otherwise permit a public offering of Paladin Shares outside Australia or Canada. Paladin Shares have not been, and will not be, registered under the United States Securities Act of 1933 (Securities Act) and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act and applicable United States state securities laws.

Privacy

Paladin has collected your information from the Fusion register of shareholders for the purpose of making this Offer and, if accepted, administering your holding of Fusion Shares. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Paladin's related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. The registered address of Paladin is Grand Central, 1st Floor, 26 Railway Road, Subiaco, Western Australia 6008.

Defined terms

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 13 of this Bidder's Statement, words and phrases in this Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

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Key dates

Date of this Bidder's Statement	17 December 2008
Date of Offer	[REDACTED]
Offer closes (unless extended or withdrawn)	5.00pm (Perth, Western Australia time) on [REDACTED]

KEY CONTACTS

Share Registrar For The Offer	Paladin Offer Information Line*
Computershare Investor Services Pty Limited Level 2, 45 St Georges Terrace Perth Western Australia 6000	1800 883 213 (within Australia) +61 8 6263 0898 (outside Australia)

* Please note that any calls to the above numbers may be recorded



PALADIN ENERGY LTD

A.C.N. 061 681 098

Dear Fusion Shareholder

The board of Paladin Energy Ltd (**Paladin**) is delighted to provide you with the opportunity to participate in the merger of Fusion's assets with Paladin's own strong portfolio of assets, and to welcome you as shareholders of our organisation.

The proposed offer by Paladin for all the shares in Fusion has been unanimously recommended by the board of Fusion, in the absence of a superior offer. The proposed offer (**Offer**) is very attractive both in terms of the premium offered and the opportunities available to the combined group within the global uranium market. Paladin is offering to acquire all of your Fusion Shares on the basis of 1 Paladin Share for every 6 Fusion Shares you hold. The Offer values each Fusion Share at \$0.365 based on the closing price of Paladin Shares on 2 December 2008 (being the date the bid was announced) which provides you with a 59% premium to the closing price of Fusion shares on 1 December 2008 (being the last trading day prior to Fusion Shares being placed in a trading halt before the Offer was announced). Moreover, if you accept the Offer you may elect to retain your Paladin Shares or sell them into a liquid trading market.

If you accept the Offer and retain your Paladin Shares, you will become a shareholder in a world class, established uranium producing company that has an extensive portfolio of uranium assets that are in production, under development or undergoing further exploration in a range of locations globally. This includes Paladin's Langer Heinrich uranium mining and processing operation, located in Namibia, which has now been in production for over 18 months and recently achieved nameplate production. The Company is currently progressing well with construction of Stage II of Langer Heinrich, which will take annual production to 3.7 million pounds of U_3O_8 per annum. Concurrent with this substantial activity at Langer Heinrich, solid progress has also been made with construction of the Kayelekera uranium mining and processing operation in Malawi, where commissioning will commence early 2009.

You will also obtain exposure to Paladin's portfolio of quality exploration assets in Queensland, Western Australia and the Northern Territory. In particular, through its recent acquisitions of 100% of Valhalla Uranium Limited and 81.9% of Summit Resources Limited, Paladin has a majority interest in and control of a portfolio of substantial uranium exploration assets in Queensland's Mt Isa region that are located in very close proximity to Fusion's uranium projects. If the Offer succeeds, the acquisition of Fusion would enable Paladin to add additional uranium resources to this portfolio and would represent another step forward in Paladin's aim of developing a world class uranium mining and processing operation in this region. Whilst this ultimately depends on a change in Queensland State Government policy towards uranium mining, Paladin plans to continue to progress exploration and appraisal of its portfolio of Mt Isa uranium projects to ensure readiness when and if this policy change occurs. Paladin considers that Australia has an important role to play in world uranium supply and as such we are prepared to take a patient yet committed approach in progressing Fusion's Australian uranium projects.

Lastly, you will also benefit from a proven board and management team with a strong mix of uranium specific skills and experience, including geology, processing, construction, marketing and project finance. With the lack of activity in uranium mining and processing globally over the last thirty years, a team with the depth and breadth of uranium specific experience such as that compiled by Paladin is very difficult to replicate, particularly within single project companies.

Going forward, the Paladin Board has a clear vision for Paladin to become a major world supplier and marketer of uranium. This will be achieved through a growth strategy that is focused on acquiring additional development opportunities beyond 2009 and developing its strategic uranium marketing subsidiary, Paladin Nuclear. Together these initiatives will allow Paladin to develop a multi-mine production base and uranium inventory that will provide it with stability and flexibility of supply in the dynamic global uranium market.

On behalf of the Paladin board, I encourage you to carefully read the details of our Offer and I look forward to shortly welcoming you as a shareholder of Paladin.

Yours sincerely

Mr Rick Crabb
Chairman

Why you should accept the Offer

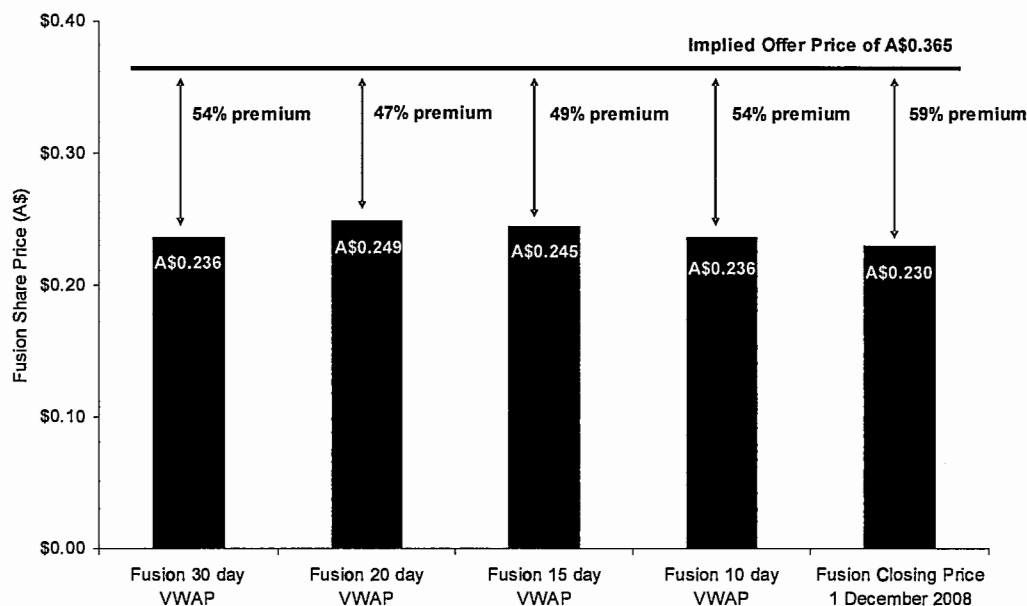
The Offer price presents a significant premium to Fusion's pre-Offer share price

The Offer represents a significant premium to recent trading levels of Fusion's shares.

The consideration comprises 1 Paladin Share for every 6 Fusion Shares. Based on the closing price of Paladin Shares on the ASX on the date of the Offer was announced (i.e. 2 December 2008) of A\$2.19, the value of the scrip consideration under the Offer (**Implied Offer Price**) is A\$0.365 per Fusion Share.

Figure 1 below illustrates the attractive premiums this Implied Offer Price represents to recent trading prices of Fusion Shares.

Figure 1: Paladin's Offer Price Premium to Fusion Share Price



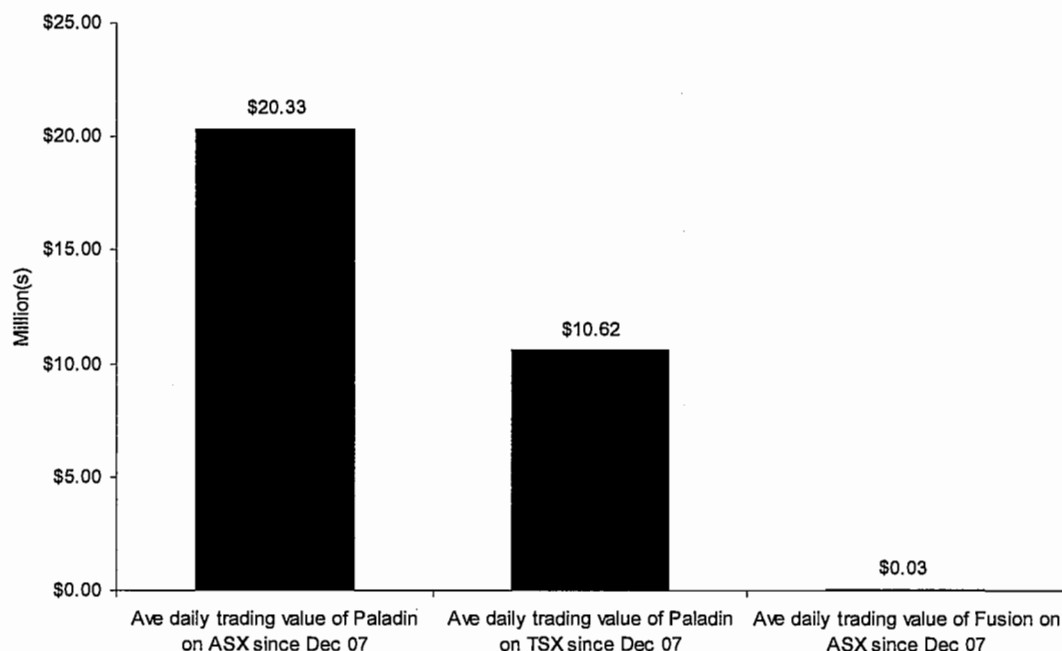
Notes:

1. VWAP means the volume weighted average price for the stated number of trading days to 1 December 2008, being the last trading day prior to Fusion Shares being placed in a trading halt before the Offer was announced.
2. The Implied Offer Price is based on Paladin's Offer of one Paladin Share for every 6 Fusion Shares and the closing price for Paladin Shares on 2 December 2008 of A\$2.19.
3. Eligible Fusion shareholders who accept the Offer will be issued Paladin Shares in accordance with the terms of the Offer and the reference to the Implied Offer Price should not be taken as suggesting that Fusion shareholders that accept the Offer will receive cash. The Implied Offer Price is not fixed. As you are being offered Paladin Shares as consideration for your Fusion Shares, the Implied Offer Price will vary with the market price of Paladin Shares.
4. As permitted by ASIC Class Order 07/429, Figure 1 contains ASX share price trading information sourced from Bloomberg without its consent.

You will benefit from the enhanced equity market presence and liquidity of the Merged Entity

Paladin is included in a number of ASX S&P indices (in particular the ASX S&P 100 index), has extensive stock broker research coverage and Paladin Shares are significantly more liquid than Fusion Shares. As shown in the figure below, the historical average daily trading value of Paladin Shares on both the ASX and TSX since December 2007 is significantly greater the trading value of Fusion Shares. As a holder of Paladin Shares, should you choose to sell your holding, you will be able to do so much more rapidly than if you held Fusion Shares of the same value.

Figure 2: Comparison of Average Daily Trading Values of Paladin and Fusion



Notes

1. Total trading value of Fusion shares traded on the TSX since listing in May 2008 is \$3,650.
2. Trading value on ASX stated in Australian dollars and trading value on TSX stated in Canadian dollars.
3. As permitted by ASIC Class Order 07/429, Figure 2 contains ASX share price trading information sourced from Bloomberg without its consent.

The Offer gives you the opportunity to become a shareholder in Paladin, a world class, established uranium producer with development and exploration upside

By accepting the Offer and it being declared unconditional eligible Fusion shareholders, will become shareholders in a world class, established uranium producing company that has an extensive portfolio of uranium assets in a wide range of locations globally that are in production, under development or undergoing further exploration.

Over the past three years, Paladin has developed, constructed and commissioned the 100% owned Langer Heinrich mine and processing plant (**Langer Heinrich**) in Namibia and is currently constructing the Kayelekera uranium mine and processing plant (**Kayelekera**) in Malawi. Langer Heinrich was officially opened in March 2007. During the 12 months ended 30 June 2008, being its first full year of production, Langer Heinrich produced 1.71Mlb of U₃O₈. In the same period, Paladin

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sold 1.41Mlbs of U₃O₈ from Langer Heinrich for a total value of US\$93.8 million. Commissioning of Kayelekera is expected during the first quarter of 2009.

By accepting the Offer, you will also retain significant exploration upside through Paladin's portfolio of quality exploration assets in Queensland, Western Australian and the Northern Territory. In particular, through its recent acquisition of 100% of Valhalla Uranium and 81.9% of Summit Resources, Paladin has a majority interest in, and control of, a portfolio of uranium exploration assets in the Mt Isa region of Queensland, meaning that you will continue to benefit from any changes in Queensland State Government Policy towards mining of uranium.

It is more likely that Fusion's uranium assets will be developed under Paladin's ownership

It is unlikely that Fusion's uranium assets are of sufficient scale to justify the significant capital investment required to develop and bring a uranium mine and processing operation into production on a standalone basis. However Fusion's uranium assets are located in close proximity to the Valhalla and Skala uranium projects owned by the participants of the Isa Uranium Joint Venture (IUJV). Paladin has an effective 90.95% interest in the IUJV through its wholly owned subsidiary Valhalla Uranium and its 81.9% interest in Summit Resources. As a result, there is a much higher likelihood that Paladin will be able to justify the investment required to develop and bring Fusion's assets into production in conjunction with the IUJV projects than if this were attempted on a standalone basis.

In addition, Paladin has a management team with a solid track record and proven experience in developing uranium projects. This management team includes specialists in geology, mining, processing, marketing, project development, financing and corporate governance. The Paladin management team has demonstrated their ability, originally via Langer Heinrich and more recently via Kayelekera, to identify, explore, develop, construct and commission world class uranium mines. The Paladin management team's expertise will increase the likelihood of developing and bringing Fusion's uranium assets into production.

Lastly, Fusion does not have any cash-generating assets, has insufficient cash reserves to develop its uranium assets on a standalone basis and it is likely that Fusion has very limited capacity in the current turbulent equity and debt market environment to raise new capital. In contrast, Paladin has a strong balance sheet and is currently generating operating cash flow from its uranium producing operations. As a consequence, Paladin is much more likely than Fusion to be able to secure the funding for the significant capital investment required to further develop and bring Fusion's uranium assets into production.

The Offer is unanimously recommended by the Fusion Directors, in the absence of a superior offer

The Fusion Directors have unanimously recommended the Offer, in the absence of a superior offer. The Fusion Directors have also indicated that they intend to accept the Offer in respect of their own shareholdings, in the absence of a superior offer.

You may be eligible for tax rollover relief

If, as a result of the Offer, Paladin becomes the holder of 80% or more of Fusion Shares, and Fusion Shareholders would otherwise make a capital gain in respect of the disposal of Fusion Shares, Fusion Shareholders may be entitled to CGT scrip-for-scrip rollover relief (**Rollover Relief**). Rollover Relief may allow Fusion Shareholders to disregard any capital gain, in whole or in part, that they would otherwise realise in respect of the disposal of their Fusion Shares.

See Section 10 for further information in relation to the availability of Rollover Relief and taxation considerations generally. See also Section 10 for details of the risks of Rollover Relief not being available under the Offer in certain circumstances.

1 Summary of the Offer – Your Questions Answered

		Further information
What is Paladin offering to buy?	Paladin is offering to buy all Fusion's Shares, including Fusion Shares which are issued during the Offer Period, on the exercise of options on the terms set out in this bidder's statement. You may only accept this Offer in respect of all of Your Fusion Shares.	Section 12.1
Who is Paladin?	Paladin operates in the resource industry. Its principal business is the evaluation, development and operation of uranium projects in Africa and Australia. Paladin is listed on several exchanges around the world, with its primary listing on the ASX. Paladin has additional listings on the TSX, and on the Munich, Berlin, Stuttgart and Frankfurt stock exchanges in Europe and the Namibian Stock Exchange.	Section 2
What will I receive if I accept the Offer?	If you accept the Offer, subject to the satisfaction of the conditions to the Offer, you will be issued 1 Paladin Share for every 6 Fusion Shares you hold. If you become entitled to a fraction of a Paladin Share that fraction will be rounded to the nearest whole number of shares (with a fraction of 0.5 being rounded down).	Section 12.1
	If you accept the Offer and you are a Foreign Shareholder (i.e. you are resident outside Australia, New Zealand or Canada), you will not be entitled to receive Paladin Shares as consideration for Your Fusion Shares pursuant to the Offer. If you are a Foreign Shareholder, the Paladin Shares which would otherwise have been issued to you will instead be issued to a nominee approved by ASIC, who will sell these Paladin Shares and remit the net proceeds of the sale of these Paladin Shares to you.	Section 12.7
Can I accept the Offer for part of my holding?	No. You cannot accept for part of your holding. You may only accept the Offer for ALL of your Fusion Shares.	
Are there any conditions to the Offer?	The Offer is subject to the following conditions (in addition to the statutory condition relating to the quotation of Paladin Shares described in section 12.12). Some of these conditions have already been satisfied (please refer to section 12.9 for information on those conditions which have been satisfied):	Section 12.8

- 90% minimum acceptance condition;
- TSX consenting to quotation of Paladin Shares on that exchange;
- Paladin's lenders' consent;
- All Fusion Options being exercised, cancelled or transferred to Paladin prior to the end of the Offer Period (or an agreement having been reached to do so);
- By the end of the Offer Period, all Fusion Preference Shares being cancelled, revoked, amended and transferred to paladin or an agreement to do so having being reached;
- Announcement to the ASX of a JORC Code compliant resource of not less than 6 million pounds at a cut off of not less than 250ppm of uranium oxide (U_3O_8) for the Valhalla North Uranium Project;
- At the end of the Offer Period, Fusion's net cash at bank is not less than \$14,000,000;
- No existence of certain rights in relation to Fusion's material assets;
- Fusion promptly providing Paladin all information it reasonably requests;
- Fusion and its subsidiaries do not acquire or dispose of any assets or entering into any arrangement with an aggregate value of greater than \$100,000;
- There are no regulatory actions;
- No material adverse event occurs in relation to Fusion or its business;
- No change of control rights;
- The absence of 'prescribed occurrences';
- The All Ordinaries index does not close below 3121 on any 5 consecutive trading days following the Announcement Date;
- The closing share price of Paladin Shares as traded on ASX does not exceed \$4.00 per Paladin Share for any 5 consecutive trading days; and
- Fusion enters into a settlement and release deed with Cazaly settling all outstanding

claims and liabilities due or claimed by Cazaly to be due by Fusion in relation to the Shovelanna Decision.

The above is only a summary. The full terms of these conditions are set out in Section 12.

What if the conditions of the Offer are not satisfied?

If the Offer closes with conditions remaining unsatisfied, the Offer will lapse, and acceptances will be cancelled. In other words, you will continue to hold Your Fusion Shares. Paladin will inform you if the conditions have been satisfied or waived during the Offer Period.

When will I be issued with the Paladin shares?

If you accept the Offer in accordance with the instructions contained in the Acceptance Form, you will be issued Paladin Shares within one month after the later of the date that you accept and the date that the Offer becomes unconditional. In any event, assuming the conditions of the Offer are satisfied or waived, you will be issued Paladin Shares within 21 days after the Offer closes.

Section 12.6

When does the Offer close?

The Offer closes at 5.00pm (Perth, Western Australia time) on [REDACTED], unless it is extended under the Corporations Act.

Section 12.2

Can Paladin extend the Offer Period?

Yes, the Offer can be extended at Paladin's election. Fusion shareholders will be sent written notice of any extension.

Are there any risks in accepting the Offer?

Yes, although you are already exposed to several of these risks, to varying degrees, as a result of holding Fusion Shares. There are also risks if you do not accept the Offer.

Section 9

What are the tax implications if I accept the Offer?

If you accept the Offer and the Offer becomes unconditional, you will dispose of Your Fusion Shares and this may have tax consequences. However, the tax implications of accepting the Offer will vary according to your circumstances and you should seek your own professional advice.

Section 10

How do I accept the Offer?

You may only accept the Offer for all Your Fusion Shares

Section 12.3

Issuer sponsored shareholders

If Your Fusion Shares are held on Fusion's issuer sponsored subregister (such holdings will be evidenced by an 'I' appearing next to your holder number on the enclosed Acceptance Form), to accept this Offer, you must complete and sign the Acceptance Form enclosed with this Bidder's Statement and return it to the address indicated on the form before the Offer closes.

Sponsored CHESS shareholders

If Your Fusion Shares are in a CHESS holding (such holdings will be evidenced by an 'X' appearing next to your holder number on the enclosed Acceptance Form), you may accept the Offer by either:

- Completing and signing the Acceptance Form enclosed with this Bidder's Statement and returning it to the address indicated on the Acceptance Form; or
- Instructing your Controlling Participant (normally your broker) to accept the Offer on your behalf,

before the offer closes.

Participants

If you are a Participant, acceptance of this Offer must be initiated in accordance with rule 14.14 of the ASTC Settlement Rules before the Offer closes.

Can I withdraw my acceptance?

Under the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act.

Such a withdrawal right will arise if, after you have accepted the Offer, Paladin varies the Offer in a way that postpones for more than 1 month the time when Paladin has to meet its obligations under the offer (for example, if paladin extends the offer for more than 1 month while the Offer remains conditional).

Can I sell my Fusion Shares on market?

Yes, but you will pay brokerage fees and GST on that brokerage if you do.

Where do I go for further information?

For queries on how to accept the Offer or in relation to your Fusion shareholding, see the enclosed Acceptance Form

For all queries in relation to the Offer, please contact the Paladin offer information line on 1800 883 213 (from within Australia) and +61 8 6263 0898 (from outside Australia).

Please note that any calls to the above number may be recorded.

Important notice

The information in this Section is a summary only of Paladin's Offer and is qualified by the detailed information set out elsewhere in this Bidder's Statement.

You should read the entire Bidder's Statement and the Target's Statement that has been sent to you, before deciding whether to accept the Offer.

2 Information on Paladin and Paladin Group

2.1 Overview of Paladin

The bidder under the Offer is Paladin.

Paladin operates in the resource industry. Its principal business is the evaluation, development and operation of uranium projects in Africa and Australia.

2.2 Directors of Paladin

Brief profiles of the directors of Paladin as at the date of this Bidder's Statement are as follows:

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

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

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

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

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

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

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

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

Mr Llewelyn first qualified as a solicitor in Australia and England, however he has worked in the finance and merchant banking industries for more than 20 years in Australia, the

UK, the United States and South Africa. His considerable experience has been in derivatives, structured finance and early stage investment relating to the metal markets. He has been involved with uranium for many years and has a comprehensive understanding of the uranium market.

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

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

- (d) **Mr Ian Urquhart Noble** (Non-executive Director) Age 68
BSc (Metallurgy), F.AusIMM, ARCST

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

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

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

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

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

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

2.3 Senior management of Paladin

- (a) **Company Secretary**

Ms Gillian Swaby
B.Bus, FCIS, FAICD

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

Ms Swaby is past Chair of the Western Australian Council of Chartered Secretaries of Australia, a former Director on their National Board and lecturer for the Securities Institute of Australia. Ms Swaby is the principal of a corporate consulting company and was a member of the Paladin Board for a period of 9 years. She currently serves as a Non-executive Director on Deep Yellow Limited, in which Paladin holds a 19.64% interest at October 2008.

(b) **Engineering, construction and operations**

- (1) **Mr Simon Solomons** (Executive General Manager – Operations Development)
BE (Hons), MSc

Mr Solomons has more than 30 years experience as a mining executive, holds a Master of Science (Mineral Economics) degree from Macquarie University and a Bachelor of Engineering (Mining Engineering) with first class honours from the University of New South Wales. Mr Solomons has worked for several major mining companies - Gold Fields Limited, North Limited, WMC Limited, Energy Resources of Australia Limited and Rio Tinto Limited. He was employed by Energy Resources of Australia Limited as Manager-Operations, then Resident Manager of its Ranger uranium mine in the Northern Territory, initially accountable for mining, plant and engineering operations and then overall site activities.

- (2) **Mr Wyatt Buck** (General Manager – Production & Langer Heinrich Operation)
BE, P Eng

Mr Buck qualified as a Mechanical Engineer from the University of Saskatchewan in 1981. After 10 years of engineering work, largely in the mining sector, Mr Buck spent 15 years with Cameco Corporation, a Canadian uranium production company, eventually holding the position of General Manager of the McArthur River Mine and the Key Lake Mill. This facility is the highest producing uranium operation in the world. Previous to this, Mr Buck acquired operational experience at Cameco's Key Lake and Rabbit Lake uranium mining operations, holding a variety of key positions. These included Mill Manager, Maintenance Superintendent, Purchasing/Transportation Manager and positions within the Engineering and Projects sections, involving participation in the McArthur River and Cigar Lake feasibility studies.

- (3) **Mr Jim Morgan** (General Manager – Project Construction)
B.TEC elec

Mr Morgan has more than 25 years international experience gained in the project management, mining, engineering and construction fields. He is an internationally experienced consultant, specialising in the design, application and construction of large grinding and milling equipment and their associated drive systems. He has held senior engineering and project management positions for Svedala and Newcrest Australia and was involved in developing a number of the world's largest milling circuits such as the Cadia and the Olympic Dam projects. Mr Morgan was trained as a professional technology officer with the London metropolitan police force and holds qualifications in electrical engineering.

- (4) **Mr David Marsh** (General Manager – Technical Project Development)
BSc (Hons)

Mr Marsh completed a Bachelor of Science (Engineering) degree at Leeds University in the UK qualifying with Honours as a Processing Engineer in 1980. He has over 25 years international experience in the mining and metallurgical sector covering the full spectrum of project evaluation, development and operations. He has held senior technical and management positions in South

Africa with GRD Minproc and Fluor Corporation, taking leading roles in the design, development and engineering of a large variety of projects located in Africa. During his time with Minproc, he was the Study Manager for the Langer Heinrich Bankable Feasibility Study. His most recent position prior to joining Paladin was Manager: Metallurgy and Process Development for Barrick Gold Corporation.

(c) **Marketing and sales**

- (1) **Mr Dustin Garrow** (Executive General Manager – Marketing)
BA

Mr Dustin Garrow, Director – Marketing, has more than 25 years experience in the nuclear fuel industry, primarily in marketing and sales of natural uranium concentrates (U_3O_8) and conversion services.

He has held a number of senior management/marketing positions with uranium production companies, including Rocky Mountain Energy (the natural resource subsidiary of Union Pacific Corporation), Everest Minerals, Energy Fuels Nuclear, and World Wide Minerals Ltd., as well as being the Vice-President, Marketing & Sales for ConverDyn, the sole provider of natural uranium conversion services in the United States.

He holds a B.A. in Economics from the University of California, Los Angeles and completed coursework for a Masters of Business Administration (management) from San Francisco State University.

- (2) **Mr James Eggins** (General Manager – Sales & Contract Administration)
BA, LLB (Hons)

Mr Eggins has been involved in marketing and sales administration in the uranium business for 25 years. Mr Eggins began his career with Queensland Mines Limited which operated the Nabarlek uranium project in the Northern Territory. Mr Eggins subsequently worked on the Kintyre Project with CRA Limited before joining WMC Limited in 1989 where he spent 15 years in various marketing and commercial roles with the Olympic Dam business unit. Mr Eggins is a director of the Uranium Information Centre (now part of the Australian Uranium Association Limited) and has served on various committees of the World Nuclear Association.

(d) **Finance and corporate**

- (1) **Mr Mark Bolton** (Acting Chief Financial Officer) B.Bus, Grad Dip Appl Fin

Mr Bolton has almost twenty years experience in the resource industry including ten years with Ernst & Young where he was Director of Corporate Finance. Since stepping down from professional practice, Mark has held a number senior executive officer positions including Chief Financial Officer and Vice President Corporate Development with companies listed on the ASX, TSX and AIM with activities in Australia, Southern and Central Africa, Asia and South America and brings a wealth of corporate expertise to Paladin.

- (2) **Mr Brendan O'Hara** (General Manager – Special Projects & Risk)
BJuris (Hons), LLB, SF Fin

Mr O'Hara graduated with Bachelors of Laws and Jurisprudence (Honours) from the University of Western Australia in 1988, before joining a national Australian law firm, specialising in mergers and acquisitions, fundraising, securities industry law and corporate regulation. He then spent 13 years with the

Australian Stock Exchange in various roles including WA State Executive Director and acting National Manager, Companies.

He is a Senior Fellow and regional councillor of the Financial Services Institute of Australasia and a director of Good Samaritans Industries.

(3) **Mr Greg Walker** (General Manager – International Affairs)

Mr Walker has more than 25 years experience in the mining industry, in corporate relations, sales & marketing and general management roles. He is a former Group General Manager of External Relations for Rio Tinto Limited and Comalco Limited and has served as Chief Executive Officer of mining companies with projects located in Namibia, the Democratic Republic of Congo (DRC), Zambia and Russia. He has worked as an expatriate mining executive in Africa, India, Canada, Russia and Europe and has extensive experience in managing stakeholder issues for greenfield and brownfield developments.

(e) **Geology**

(1) **Mr Ed Becker** (General Manager – Geology & Exploration)
Dip. Geo. (Cologne), AusIMM

Mr Becker is a geologist with 25 years experience in uranium, base and precious metal exploration and development. As Chief Geologist he is responsible for exploration within Australia and overseas, encompassing management of all of Paladin's project activities. Mr Becker has been with Paladin since its inception. Previously he worked as Senior Geologist with Uranerz, an international German mining house, involved in uranium exploration and project evaluation throughout Australia and participation in that company's worldwide copper-gold-platinum-uranium research studies, a large part of which now form an integral component of Paladin's technical database.

(2) **Mr David Princep** (Principal Geologist - Resources)
B.Sc and MAusIMM

Mr Princep graduated with a degree in Geology from the University of Liverpool in the UK in 1976 and has had extensive experience in the mineral resource industry including analytical laboratory work. In 2003 he joined Hellman and Schofield, a mineral resource specialist group, as a consulting geologist specialising in resource estimation and assessment, grade control practices and project data management.

(f) **Environment**

(1) **Ms Cathy Gupanis** (General Manager – Sustainable Development)
BSc

Ms Gupanis has a Bachelor of Science, majoring in Environmental Science, from Murdoch University in Western Australia graduating in 1982. Ms Gupanis has over 25 years experience principally consulting to the mining and industrial sectors and has project managed numerous approval processes for major project developments in Western Australia. She has provided strategic advice to the mining industry on approvals, environmental matters, undertaken environmental baseline monitoring studies, developed and coordinated environmental management programmes, conducted closure planning and planned and implemented stakeholder consultation programmes. Ms Gupanis managed the environmental and social aspects of the Rio Tinto Kintyre Uranium Project from its initial exploration phase in the late 1980s up until its recent sale. Up until her appointment as General Manager – Sustainable Development, Ms

Gupanis was a consultant advisor to the Paladin Group on the environmental aspects of its exploration and development projects in Africa and Australia.

2.4 History, structure and ownership of Paladin Group

(a) History

Paladin was incorporated on 24 September 1993 in Western Australia.

Paladin is listed on several exchanges around the world, with its primary listing on the ASX. Paladin has additional listings on the TSX, and on the Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe and the Namibian Stock Exchange.

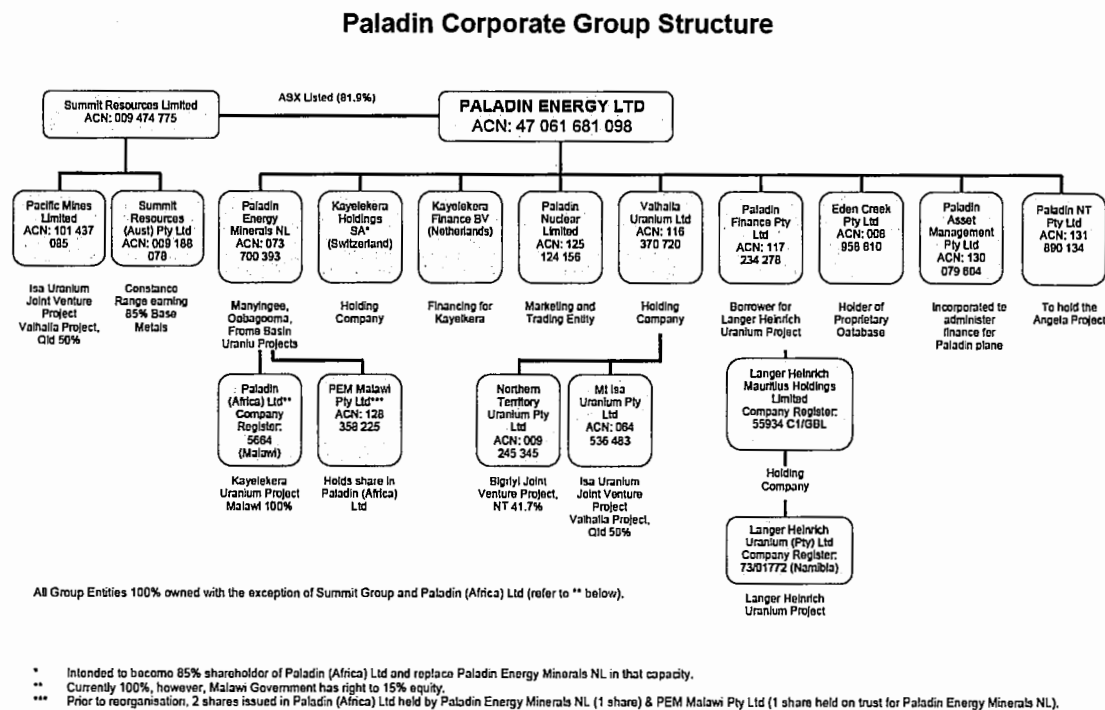
(b) Ownership

Given its multiple listings, Paladin has a geographically diverse shareholder base. To the best of its knowledge, Paladin is not directly or indirectly controlled by another corporation or any person or foreign government, and there are no arrangements which may, at a subsequent date, result in a change in control of Paladin.

(c) Structure

The corporate structure of Paladin and the companies it controls is as follows:

Figure 3: Paladin Corporate Structure



2.5 Principal activities of Paladin and Paladin Group

(a) NAMIBIA

LANGER HEINRICH URANIUM PROJECT

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

Langer Heinrich is a surficial, calcrete type uranium deposit containing a Mineral Resource of 74,415t U_3O_8 at a grade of 0.06% U_3O_8 (250ppm U_3O_8 cut-off grade) in seven mineralised zones designated Detail 1 to 7, within a 15km length of a contiguous paleodrainage system. The deposit is located in the Namibia Desert, 80km from the major seaport of Walvis Bay. Figure 5 shows the location of the uranium mineralisation along the length of the Langer Heinrich valley.

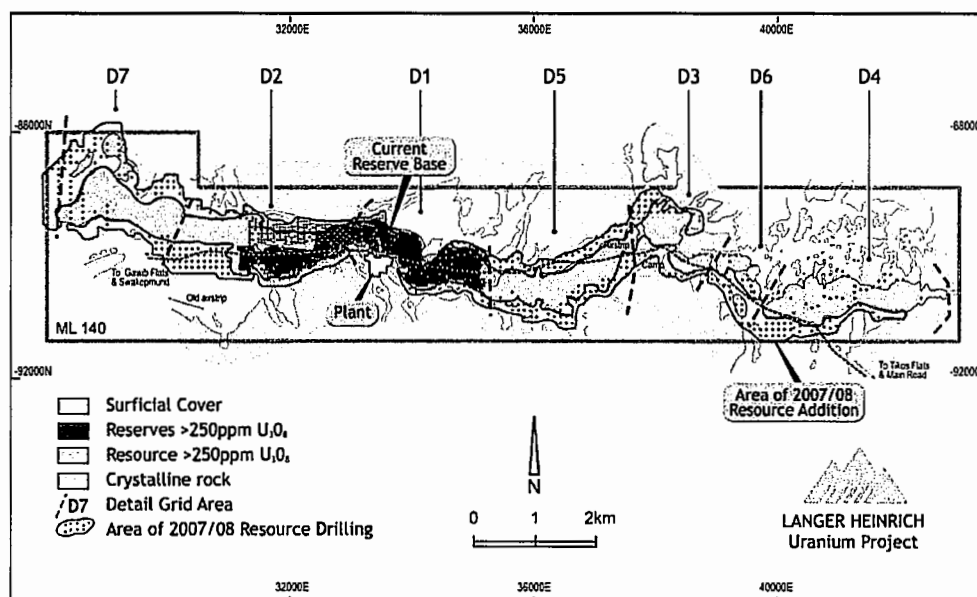
Following the completion of a 717 hole, 17,751m RC drilling campaign to infill a major portion of Details 1 and 2 as well as close off the majority of the remaining Details, an updated Mineral Resource has been estimated for the deposit. The updated resource announced on 28 August 2008 represents a significant uplift to the previous resource announced in early 2006 with an increase of 68% in tonnes and 3% decrease in grade combining to produce a 64% increase in contained metal. The new Mineral Resource is detailed in Figure 4 below at a cut-off grade of 250ppm U_3O_8 .

Figure 4: Mineral Resource estimate (depleted for mining) for Details 1 to 7:-

250ppm Cut-off	Mt	Grade % U_3O_8	t U_3O_8	Mlb U_3O_8
Measured Resources	32.8	0.06	19,582	43.2
Indicated Resources	23.6	0.06	13,276	29.3
Measured + Indicated	56.4	0.06	32,858	72.4
Inferred Resources	70.7	0.06	41,557	91.6

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

Figure 5: Langer Heinrich Resource Map



On 24 September 2008 Paladin announced a revised ore reserve estimate for the Langer Heinrich deposit conforming to both the JORC and NI 43-101 codes had been completed. This is set out in Figure 6 below.

Figure 6: New Ore Reserve Estimate (250ppm U₃O₈ cut off) for Details 1, 2, 3 and 5

250ppm Cut-off	Mt	Grade % U₃O₈	t U₃O₈	Mlb U₃O₈
Proved Ore Reserve	30.0	0.06	17,924	39.50
Probable Ore Reserve	20.6	0.06	11,950	26.34
Total Ore Reserve	50.6	0.06	29,874	65.84

Ore reserve has been depleted for mining

Compared to the previous ore reserve announced in 2005 (also reported at a 250ppm cut off) the new 2008 reserve estimate outlined herein represents a 28.3Mlb (75%) increase in contained U₃O₈.

The cost parameters used in the reserve estimation are now well established and as such their inclusion can be reasonably justified. The revenue rate used in the estimate was US\$60 per pound which is regarded as conservative when compared to the Ux Consulting Company LLC spot price and existing term contracts.

These reserves will form the basis of the detailed mine planning for the Project. The revised mine model will allow a remaining mine life of 11 years, based on the expansion of processing capability to 6.0Mlb per year. The mine model does not include any contribution from the 91.6Mlb of Inferred Mineral Resources, either from the open pit area or Details 4 and 6 (to the east) or Detail 7 (to the west) outside the current pit design.

The ore reserve is quoted exclusive of run of mine (**ROM**) stockpiles which, at the end of May 2008, contained 3.5M tonnes at a grade of 514ppm U₃O₈ for 1,796t (3.96Mlb) U₃O₈.

Langer Heinrich Exploration (EPL3500)

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

Exploration of the Exclusive Prospecting Licence (**EPL**) started in 2008 with a helicopter borne EM survey to better define the palaeochannel. Widespaced follow-up drilling started on the EPL in May 2008. Early results indicate that the channel widens considerably when entering EPL3500 causing the uranium mineralisation to disperse, resulting in lower grade and thinner mineralisation.

A total of 31 holes and 2,919m were drilled. Five holes intersected greater than 200ppm U₃O₈ all at 1m thickness varying from 271 to 504ppm U₃O₈.

Operations

The processing plant has been in operation now for close on 2 years achieving its first month of full design production in December 2007. Capacity through the plant has continually improved since then and in the quarter ending 30 September 2008 nameplate production was achieved when 650,554lb U₃O₈ were produced. This quarterly production equates to 2,602,239lb on an annualised basis (nameplate is specified as 2,600,000lb U₃O₈ per annum).

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

Since commissioning a number of continuous improvements have been made to the plant in order to firstly de-bottleneck the plant and then improve operations and reduce costs. These up-grades have contributed significantly to the improved results experienced during the past 12 months.

Mining activities, through the contract miner, Karibib Mining and Construction Company, progressed very well throughout the year end 30 June 2008 with above schedule production rates being achieved. Mining is advancing to the next stage (Pit D) to the west of the completed starter pit (Pit A).

Many initiatives in the crushing and scrubbing circuits have now been completed resulting in increased throughput rates. Design throughput of 4,200t per day is now regularly exceeded and scrub efficiency has also improved running consistently greater than 90%.

Leach heating systems have been expanded to facilitate higher and more consistent temperatures and leach efficiency has improved accordingly. Maintaining the operation of the spiral heat exchangers has presented many challenges but now improved operations, technical developments and a planned maintenance program means that the availability and performance of these units are greatly improved. The original set of spiral heat exchangers have been progressively replaced following a successful insurance claim. The ion exchange, product precipitation and product drying sections of the plant are all performing well, demonstrating consistent operation at or above design capacities. A new sodium diuronate thickener is currently being installed as part of the Stage II expansion program, which will lead to improved efficiencies across the precipitation circuit and reduced product recycling.

The Stage II expansion to 3.7Mlb per annum is now well into the construction phase with some unit operations scheduled to be commissioned in December 2008 and the rest in the first quarter of 2009. A study into a further expansion (Stage III) to around 6Mlb per annum is also in progress.

(b)

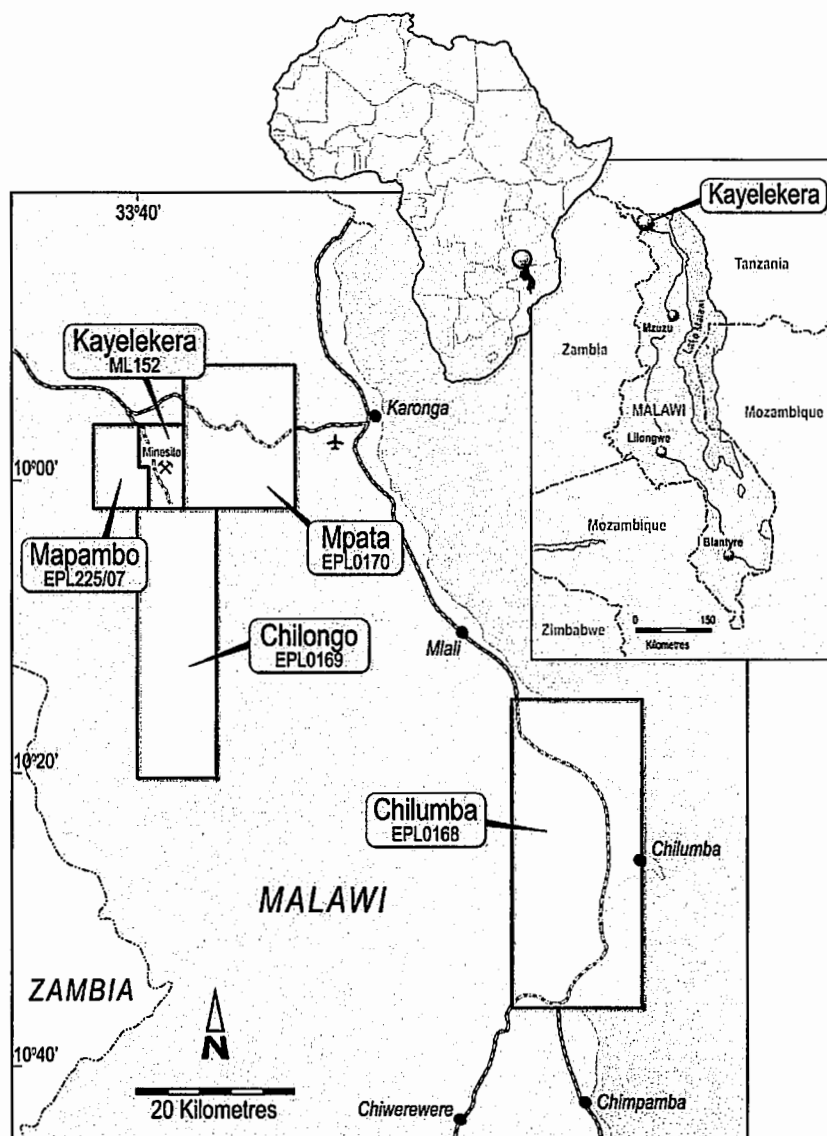
MALAWI

KAYELEKERA URANIUM PROJECT

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

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

Figure 7: Project Map



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

After completing a Development Agreement with the Malawi Government and a Bankable Feasibility Study (BFS) together with an Environmental Impact Assessment, the Mining Licence, ML 152, covering 5,550 hectares, was granted in April 2007 for a period of 15 years. Construction started in June 2007.

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

Mineral Resources and Reserves

On 20 November 2008, Paladin announced a substantial resources and reserve upgrade for the Kayelekera uranium deposit:

Figure 8: Mineral Resource estimates for Kayelekera, conforming to both JORC (2004) and NI 43-101 codes:

At 300ppm U₃O₈ Cut-off

	Mt	Grade ppm	Tonnes	Mlb
		U₃O₈	U₃O₈	U₃O₈
Measured Resources	3.42	1,211	4,141	9.1
Indicated Resources	18.78	725	13,616	30.0
Total	22.20	800	17,757	39.1
Inferred Resources	3.9	552	2,152	4.7

At the 300ppm cut-off limit, Measured and Indicated Mineral Resources amount to 22.20Mt grading 0.08% U₃O₈ versus the previously stated 15.31Mt grading 0.09% U₃O₈. The new estimate has increased the contained uranium metal in the deposit by 4,239t U₃O₈ (9.4Mlb) or 27%.

Ore Reserves

Economic analysis on this resource has indicated a break-even cut-off grade of 400ppm. This is unchanged from the previous resource due to a number of contributing factors including changing dynamics of selling price, use of resin in pulp (RIP) processing and reagent costs.

Figure 9: Ore Reserve estimate for Kayelekera, conforming to both the JORC (2004) and NI 43-101 codes:

At 400ppm U₃O₈ Cut-off

	Mt	Grade ppm	Tonnes	Mlb
		U₃O₈	U₃O₈	U₃O₈
Proved Reserve	2.87	1,373	3,943	8.7
Probable Reserve	9.75	959	9,342	20.6
Total	12.62	1,053	13,285	29.3

Compared to the previous ore reserve of 25.1Mlb announced in 2007 (also reported at a 400ppm cut-off) the new 2008 Reserve estimate outlined above represents a 17% increase in contained U₃O₈.

The cost parameters used in the reserve estimation are now well developed and include contracted schedules for such items as reagents and contract mining, and as such their inclusion can be reasonably justified. The revenue rate used in the estimate was

US\$60/lb which is regarded as conservative when compared to the Ux Consulting Company LLC spot price and existing term contracts.

The 2008 Reserve suggests an increase in mine life of 1½ years to 9 years at a production rate after Year 1 of 3.3Mlb U₃O₈ per annum when the inferred material occurring within the pit design is included. Processing of marginal ores at the end of mine life is expected to add an additional 3-4 years to the project life.

Kayelekera Exploration

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

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

Exploration work on the Paladin tenements located adjacent to the Kayelekera Mining Lease has delineated two prime targets which have strong potential to contribute additional resources to the Kayelekera mining operations.

Mpata Prospect

The Mpata Prospect is located 15km north east of the Kayelekera minesite. Consistent radiometric anomalism is associated with oxidised and reduced sandstones along a 2.5km strike length. Initial limited scout drilling of 21 RC holes identified mineralisation in a 4 hole cluster with a maximum value of 10m at 600ppm eU₃O₈ in reduced and oxidised sandstone in the final hole drilled. This target will be followed up with further drilling in the next field season commencing April 2009.

Juma Prospect

The Juma Prospect is located 5km south, and along strike from, the Kayelekera deposit. Geological mapping and prospecting has identified reduced and oxidised Arkose units from the prospective Kayelekera Sandstone Member. Radiometric anomalies were found in both Arkose types as well as along the contact between oxidised and reduced Arkose. These anomalies occur along a 3km strike length in a structural setting that appears identical to the geological setting seen at the Kayelekera deposit. Exploration drilling in the area will start in early 2009.

Project Development

The Kayelekera Uranium Project remains on schedule to commence commissioning and production ramp-up from the beginning of the March 2009 quarter with the project currently 81% complete.

The project has achieved an enviable safety record having recently achieved 2,900,000 man-hours lost time injury free. Paladin is clearly developing the skills and a culture of exceptionally high safety standards and environmental awareness within the local workforce during the project construction phase. This will provide a firm platform from which the operational workforce can develop.

The current project workforce, on and off site, has increased to over 1,500 with 80% of workers being Malawian. Activities continue to be wide-ranging involving civil works, concrete and foundation preparation (crusher, SAG mill and tailings thickener) and equipment and facility installation (SAG mill, power station, main pipe rack and acid storage tanks).

The following activities are either completed or substantially completed:

- intermediate upgrade works to M26 public road to allow heavy equipment access;
- SAG mill major components on civil foundations;
- acid and leach tanks plate work hydro tested;
- acid storage tanks (first acid delivery has been off-loaded);
- mine to plant haul roads;
- ROM pad (90% complete);
- fresh water storage pond;
- tailings storage facility;
- installation and commissioning of the on- site 10 Megawatt power station; and
- tender evaluation for plant reagents and electrical & instrumentation packages.

Sales Contracts

Paladin has entered into a number of take-or-pay contracts for offtake of uranium oxide from Langer Heinrich with large and financially sound customers. These contracts provide Paladin with market prices subject to escalating floor and ceiling prices while allowing Paladin to benefit from some upside should the spot market for uranium oxide out-perform the ceiling prices.

Recently, a contract for the sale of 1,500,000lb U₃O₈ has been signed with a significant Asian power supplier for delivery over the period 2009 to 2011 at prices reflective of the longer term nature of the contract. The contract does not reference the spot price.

Operations

All key senior management staff have been appointed and second level operational staff positions are currently being recruited. The main focus now is on recruiting operations and maintenance personnel, of which the majority will be Malawian. Preparations are ongoing for commissioning and handover of facilities from construction to operations.

First fill reagents have been ordered and preparations are being made for delivery and storage.

Open pit mining activities are in full operation with the focus on opening up ore zones and providing sandstone rock for material to cover the walls of the tailing storage facility and water ponds. A total in excess of 333,105 bcm of waste has been removed from the pit since July 2008, with a total greater than 375,865 bcm from the area since operations began in 2007. No ore has yet been uncovered, but the open pit is on schedule to deliver ore in readiness for commissioning in the March 2009 quarter.

Environmental and radiation monitoring continues as does the training of new staff and pit crews in these disciplines. The Safety & Health and Environmental Management plans have been completed, while the Radiation Management plan is substantially complete.

(c)

QUEENSLAND

Summit Resources (Aust) Pty Ltd, a wholly owned subsidiary of Summit Resources, operates the Isa Uranium Joint Venture (IUJV) as well as the Mount Isa North Uranium Project. These areas cover approximately 1,356km² and host a number of uranium – vanadium deposits and resources including the Valhalla and Skäl deposits.

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

The Valhalla uranium deposit is located 40km northwest of Mount Isa on EPM 9221. Previous drilling by Queensland Mines Ltd in the 1960's, and SRA in the 1990's and 2000's, established a combined Measured, Indicated and Inferred Resource of 56Mlb of U₃O₈ grading 0.14%. Substantial widths of high grade uranium mineralisation in albite-

carbonate-hematite breccias and mylonites as well as altered mafic schists have been intersected in the latest drilling at Valhalla. The deposit is hosted within basalts and basaltic sediments of the Eastern Creek Volcanics, trends north-south, is approximately 800m in strike length and is open to the south and at depth.

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

In addition, a number of 80m spaced drill lines have been planned to test the expected strike extension of the mineralisation and add to the Inferred portion of the resource. Radiometric down-hole logging has been used to check all drill hole samples in conjunction with geochemical assaying of selected drill holes for verification. This drilling has now been completed which will allow for the estimation of an updated Mineral Resource in early 2009.

A Mineral Resource estimate conforming to the JORC guidelines, shown in Table 11, was prepared by SRA and reported during 2006.

Figure 11: Valhalla Resource Statement (resources quoted at 100%)

JORC CATEGORY	CUT-OFF %U ₃ O ₈	RESOURCE Mt	GRADE %U ₃ O ₈	METAL kt
Indicated Resources	0.023	21.3	0.080	16.9
Inferred Resources	0.023	12.0	0.075	9.0

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

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

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

Skäl Uranium Deposit

A Mineral Resource estimate conforming to the JORC guidelines for the Skäl deposit located 32km north of Mount Isa city on EPM14048 has been completed. This estimate covered all three identified Skäl mineralised zones, **Skäl South**, **Skäl North** and **Skäl Far North**, adjacent to the historic King George copper workings. All three zones are structurally controlled, southerly plunging shoots with an accompanying low grade halo and have significant surface expression.

The Mineral Resource at Skäl is estimated to be:

Figure 12: Inferred Mineral Resource at 250ppm U₃O₈ cut-off grade

Tonnes	Grade U ₃ O ₈ (ppm)	Metal U ₃ O ₈ (t)	Metal U ₃ O ₈ (lb)
7.6Mt	508	3,781	8.5M

The current Mineral Resource estimate compares very favourably to the historic Skäl resource of approximately 11Mlb U₃O₈, reported at a slightly lower cut-off grade, as the current Mineral Resource has only been estimated to approximately 200m depth whilst the previous historic resource appears to have been extrapolated to over 300m depth. Documentation on the historic resource indicates that approximately 36% of the resource tonnes were located below 200mRL (metres reduced level). Future drilling to extend the resource at depth and replace the historic Queensland Mines Limited holes may result in a re-classification and extension of the Skäl Mineral Resource.

The geological mapping of the Skäl prospect was expanded and ground radiometric and magnetic surveys were completed. This was followed by further infill drilling and a new mineral resource is expected to be released in early 2009.

MOUNT ISA NORTH URANIUM PROJECT

Summit Resources (Aust) Pty Ltd 100% and Operator

The Mount Isa North Uranium Project is centred approximately 45 km north of Mount Isa. It contains numerous uranium anomalies, most of which still have to be investigated thoroughly.

Over the year ended 30 June 2008 SRA completed 2 airborne radiometric and magnetic surveys covering close to 100% of the tenement holdings at close line spacings. The results are currently being evaluated and will help to focus exploration in 2009

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

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

Figure 13: Inferred Mineral Resource at 250ppm U₃O₈ cut-off grade

Tonnes	Grade U ₃ O ₈ (ppm)	Metal U ₃ O ₈ (t)	Metal U ₃ O ₈ (lb)
10.1M	517	5,216	11.5M

The Bikini deposit now has a strike length in excess of 1100m with mineralisation extending from surface to a depth of over 400m and is structurally complex with a characteristic southerly plunge.

The Mineral Resource has been classified as an Inferred Resource, primarily due to drill spacing and it is expected that any future infill drilling will lead to an uplift in the resource classification. Details of this resource estimation are included within the announcement made by Summit Resources dated 11 July 2008 and can be viewed at www.summitresources.com.au.

RESOURCE STATUS MOUNT ISA REGION – ALL PROJECTS

The Indicated Mineral Resources attributable to Paladin in the Mount Isa Region now totals 33.9Mlb U₃O₈ with attributable Inferred Mineral Resources totalling 41.9Mlb U₃O₈. This translates to an overall increase of 30% in the Mount Isa North Uranium Project JORC compliant resource base from 2007. The Valhalla resource upgrade will be completed in early 2009 after the current drilling has been carried out and may further increase the growing resource base at Mount Isa. Details of individual Mineral Resources, conforming to the JORC code, for the deposits quoted are as follows:

Figure 14: Individual JORC compliant Mineral Resource figures quoted on 100% basis

Deposit		Indicated Resources			Inferred Resources			Paladin Share
	Cut-off ppm U ₃ O ₈	Mt	Grade ppm	t U ₃ O ₈	Mt	Grade ppm	t U ₃ O ₈	
Valhalla	230	21.3	800	16,900	12.0	750	9,000	90.95%
Skal	250				7.6	508	3,800	90.95%
Bikini	250				10.1	517	5,200	81.9%
Anders ons	230				2.0	1,010	2,100	81.9%
Watta	230				4.2	410	1,700	81.9%
Total		21.3	800	16,900	35.9	607	21,800	
Total Resource Attributable to Paladin		19.38	800	15,379 (33.9Mlb)	31.20	607	19,028 (41.9Mlb)	

GEORGINA BASIN PROJECT

SRA holds 17 granted EPM's, together covering 12,000km² of the Georgina Basin to the west of the Mount Isa Inlier in northwest Queensland. This Project was subject to a joint venture with Newland Resources Ltd (Newland). In April 2008, SRA agreed to sell the Georgina Basin tenements to Newland for a combination of cash and shares in Newland. The joint venture agreement has been terminated and assignment of the tenements to Newland will be completed in the near future.

(d) OTHER SUMMIT RESOURCES PROJECTS (NON-URANIUM)

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

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

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

Isa North Base Metals agreement with MM Mining

In October 2008, Summit Resources entered into a mining rights agreement with MM Mining to enable MM Mining to explore for, and potentially recover, base metals on areas within Summit Resources' Isa North tenements (excluding the areas in which Paladin or its wholly owned subsidiaries have an interest). MM Mining does not gain any rights to uranium but will inform Summit Resources should it become aware of any uranium mineralisation in the course of its activities.

To earn these rights MM Mining must spend \$3.5 million within 3 years. MM Mining will also have certain expenditure obligations in relation to existing and proposed work programs for base metals within the Isa North tenements.

Summit Resources has a 20% free carried interest in any non-uranium project through to a decision to mine, in which event it will be issued with 10 million shares in the parent company - MM Mining Plc.

Mount Isa South

The Mount Isa South Project comprises over 1,909km² of prospective Proterozoic terrane along the Mount Isa Paroo Fault (MIPF) from 40km to 160km south of Mount Isa.

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

May Downs

The May Downs Project comprises three granted EPM's covering 1,217km² 35km west of Mount Isa.

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

Constance Range

In the late 1950's and early 1960's BHP identified a number of deposits, hosted by the Train Range Ironstone member of the Middle Proterozoic Mullera Formation, in the area. BHP also identified deposits of phosphate rock at Babbling Brook Hill and at Riversleigh.

The Constance Range Project covers 895km² in six EPMs, with a further EPM application of 109km² currently under consideration. The tenements are centred 30km southwest to 45km northwest of Zinifex's Century zinc mine in far northwest Queensland.

Mount Kelly

EPM14694 of 13km² near CopperCo's Mount Kelly copper gold discovery, 95km northwest of Mount Isa, was granted in October 2005. The target here is copper gold mineralisation in middle Proterozoic shales along northwest trending fault structures.

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

(e) **NORTHERN TERRITORY**

BIGRLYI URANIUM JOINT VENTURE

Energy Metals Limited 53.7% as Manager and Northern Territory Uranium Pty Ltd 42.1% (wholly owned subsidiary of Paladin) and Southern Cross Exploration NL 4.2%

The area the subject of the Bigrlyi Uranium Joint Venture (BUJV) covers ten granted Exploration Retention Licences located approximately 390km northwest of Alice Springs in the Northern Territory.

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

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

Figure 15: Current Mineral Resource for Bigrlyi :

	Tonnes	Grade U_3O_8 (ppm)	Metal U_3O_8 (t)	Metal U_3O_8 (lb)
Indicated Mineral Resources	2,330,660	1,739	4,053	8.9M
Inferred Mineral Resources	5,230,900	1,250	6,537	14.4M

In mid July 2008 Energy Metals announced the results of the scoping study undertaken by Paladin on its behalf. The study was designed to aid in drill planning and attempted to define a minimum economic size for the deposit. An underground option was also assessed, and has been reported by Energy Metals, but it is expected that this is not likely to be a priority target in the near future.

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

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

ANGELA JOINT VENTURE

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

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

In February 2008 the Northern Territory Government advised the 50:50 Joint Venture between Paladin Energy Minerals NL (a wholly owned subsidiary of Paladin) and Cameco Australia Pty Ltd (**Cameco**) (operator) (**AJV**) that it had been awarded the Angela-Pamela Project which gave the AJV the right to lodge an exploration licence application over the Angela and Pamela uranium deposits, located near Alice Springs in the Northern Territory. AJV's bid was selected from a highly competitive field. The licence application was granted on 3 October 2008.

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

Extensive evaluation work was undertaken on the Angela and Pamela uranium deposits by Uranerz Australia Pty Ltd between 1972 and 1983. Uranium mineralisation was identified and data compiled to date indicates that it remains open at depth and laterally. Paladin owns all the original drill hole data for the deposit, including geology, geochemistry, downhole gamma surveys and feasibility studies. This information, together with Paladin's extensive in-house knowledge of the deposits, is expected to enable the AJV to move rapidly into the pre-feasibility assessment.

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

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

Paladin Energy Minerals NL is in the process of transferring all of its interest in the AJV to Paladin NT Pty Ltd.

(f)

WESTERN AUSTRALIA

MANYINGEE URANIUM PROJECT

Paladin Energy Minerals NL 100%

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

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

AFMEX (previously named Total Mining Australia Pty Ltd) discovered uranium mineralisation at Manyingee in 1973 during regional exploration. Between 1973 and 1984 some 400 holes were drilled and this established the extent and continuity of the sediment hosted uranium mineralisation in permeable sandstone in palaeochannels.

Field trials by AFMEX demonstrated that the Manyingee sandstone hosted uranium deposit is amenable to extraction by in-situ recovery (ISR).

Figure 16: Manyingee Project JORC (1999) Code compliant Mineral Resources:

JORC Category (1999)	Cut-Off % U ₃ O ₈	Resource Mt	Grade % U ₃ O ₈	U ₃ O ₈ kt
Indicated	0.03	7.9	0.10	8.1
Inferred	0.03	5.5	0.05	2.8

After a change in Western Australian Government and the ban on uranium mining being lifted, Paladin has started planning in detail the upcoming exploration and development program at Manyingee. It is expected that all relevant permits for groundwork will be obtained by June 2009 and groundwork can start at Manyingee in the second half of 2009. The Manyingee mining leases were granted prior to the adoption of the uranium ban and accordingly do not include any exclusion clauses with respect to uranium mining.

OOBAGOOMA URANIUM PROJECT

Paladin Energy Minerals NL 100%

The Oobagooma Uranium Project, beneficially held 100% by Paladin, is located in the West Kimberley region of Western Australia, 1,900km north-north-east of Perth and 75km north east of the regional centre of Derby. The Oobagooma Uranium Project is comprised of two long-standing applications for exploration licences covering 452km².

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

The Oobagooma Uranium Project area was explored by AFMEX in the period from 1983 to 1986 during which time extensive zones of uranium mineralisation were discovered. An estimate of the uranium resources using geostatistical methods was carried out by AFMEX, however, work was done before the JORC Code had been formulated and was thus not carried out in accordance with the JORC Code.

The main exploration effort, once the tenements have been granted, will be to confirm continuity of the uranium mineralisation by infill drilling concentrating on mineralised redox fronts as re-interpreted and preparation of a JORC compliant resource estimate. The mineralisation in this sandstone hosted uranium deposit is open and based on previous work undertaken by AFMEX, potential exists to increase the currently known resource base. The style of mineralisation is believed to be amenable to recovery of uranium by ISR methods.

(g)

SOUTH AUSTRALIA

QUASAR URANIUM JOINT VENTURE

Paladin Energy Ltd 15-20% Quasar Resources Pty Ltd 75-80% and Manager

The joint venture with Quasar Resources Pty Ltd (**Quasar**) (**QUJV**), established in 2001, encompasses two exploration licences covering 1,051km² in the northeast of South

Australia. Paladin holds a 15% free carried interest in Exploration Licence 3903 at Mount Yerila and a 20% free carried interest in Exploration Licence 4134 at Petermorra. The QUJV is managed by Quasar, a wholly owned subsidiary of Heathgate Resources Pty Ltd, operator of the Beverley ISR uranium mine which is situated immediately south of the QUJV tenements. Heathgate Resources Pty Ltd is an Australian subsidiary of General Atomics of the United States.

The two exploration licences are located in the northern part of the Curnamona Province, a 90,000km² block of shallow to outcropping basement rocks that extends from Olary, in the northeast of South Australia, 450km north east of Adelaide, to east of Broken Hill across the New South Wales border. The exploration licences are considered prospective for palaeochannel uranium mineralisation similar to that found and successfully developed at Beverley. Quasar is actively exploring the QUJV tenements and has conducted a number of drilling campaigns on the ground.

URANIUM DATABASE

Paladin 100%

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

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

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

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

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

(h) COMPETENT PERSON'S STATEMENT

The information in Sections 2.5(a) to 2.5(g) (inclusive) above is based on information compiled by Mr David Princep, who is an employee of Paladin and a Member of the Australasian Institute of Mining and Metallurgy. Mr Princep has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Princep consents to the inclusion in this Bidder's Statement of information compiled by him in the form and context in which it appears.

(i) INVESTMENTS

DEEP YELLOW LTD (DYL)

Paladin Energy Ltd 19.64%

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

Through its wholly owned Namibian subsidiary, Reptile Uranium Namibia (Pty) Ltd, DYL is actively exploring for uranium on its four 100% owned Exclusive Prospecting Licences covering 2,872km² in the Namib Naukluft Desert Park inland from Walvis Bay and south and west of Paladin's Langer Heinrich Uranium Mine.

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

Paladin's equity in DYL increased to 19.29% during the September 2008 quarter due to the exercise of options and the purchase of additional shares. At 30 September 2008, the Paladin group holds 216,258,461 shares in DYL with a market value of US\$39.0 million.

Subsequent to 30 September 2008, Paladin's equity in DYL increased further to 19.64% following the acquisition of an additional 4,000,000 shares.

2.6 Financial information on the Paladin Group

(a) Basis of presentation of historical financial information

The historical financial information below relates to Paladin on a stand-alone basis and accordingly does not reflect any impact of the Offer. It is a summary only and the full financial accounts for Paladin for the financial periods described below, which include the notes to the accounts, can be found in Paladin's quarterly and annual reports for those specific periods.

(b) Historical financial information of the Paladin Group

(1) Balance Sheets

The summarised historical balance sheets of the Paladin Group set out below have been extracted from unaudited 30 September 2008 Quarterly Report and audited 30 June 2008 Annual Report

The information set out below should be read in conjunction with the notes accompanying this report (copies of which are available from Paladin's website).

Paladin Group Summarised Consolidated Balance Sheets

	30 September 2008 US\$m	30 June 2008 US\$m
ASSETS		
Current assets		
Trade and other receivables	40.6	40.0
Inventories	63.1	68.9
Financial assets held for trading	1.2	1.4
TOTAL CURRENT ASSETS	384.6	447.9
Non Current Assets		
Other financial assets	39.6	41.7
Investment in associate	2.6	2.6
Deferred borrowing costs	1.8	1.7
Property, plant and equipment	298.0	229.5
Mine development	15.3	12.2
Exploration and evaluation expenditure	1,536.1	1,797.9
Deferred tax asset	8.0	13.0
Intangible assets	16.4	16.6
TOTAL NON CURRENT ASSETS	1,917.8	2,115.2
TOTAL ASSETS	2,302.4	2,563.1
LIABILITIES		
Current Liabilities		
Trade and other payables	47.3	41.4
Unearned revenue	0.2	0.2
Interest bearing loans and borrowings	11.3	11.0
Provisions	1.5	1.5
TOTAL CURRENT LIABILITIES	60.3	54.1
Non Current Liabilities		
Unearned revenue	0.4	0.5
Interest bearing loans and borrowings	575.1	571.5
Deferred tax liabilities	429.8	499.3
Provisions	13.7	8.4
TOTAL NON CURRENT LIABILITIES	1,019.0	1,079.7
TOTAL LIABILITIES	1,079.3	1,133.8
NET ASSETS	1,223.1	1,429.3
EQUITY		
Contributed equity	1,091.5	1,088.4
Reserves	59.1	234.1
Accumulated losses	(105.7)	(101.0)

Parent interests	1,044.9	1,221.5
Minority interests	178.2	207.8
TOTAL EQUITY	1,223.1	1,429.3

(2) **Income Statements**

The summarised historical income statement of the Paladin Group shown below has been extracted from the unaudited 30 September 2008 Quarterly Report and audited 30 June 2008 Annual Report.

The information set out below should be read in conjunction with the notes accompanying this report (copies of which are available from Paladin's website).

Paladin Group Summarised Consolidated Income Statements

	Quarter ended 30 September 2008	Year ended 30 June 2008
	US\$m	US\$m
Revenue from continuing operations		
Revenue	52.4	101.9
Cost of sales	(30.4)	(66.4)
Gross profit	22.0	35.5
Other income	2.3	-
Exploration and evaluation expenses	(3.6)	(13.1)
Other expenses	(12.2)	(35.7)
Finance costs	(9.2)	(30.7)
Share of loss of an associate	-	(0.2)
Loss before income tax (expense)/benefit	(0.9)	(44.2)
Income tax (expense)/benefit	(4.2)	7.0
Net loss after tax from continuing operations	(5.1)	(37.2)
Attributable to:		
Minority interests	(0.4)	(1.2)
Members of the parent	(4.7)	(36.0)
Loss per share		
Loss after tax from continuing operations attributable to ordinary equity holders of the Company - basic and diluted	US\$ (0.01)	US\$ (0.06)

(c) **Management commentary on historical results**

Paladin's current activities are focused on development of its various global uranium projects which include the construction of its second mine at the Kayelekera Uranium Project, the stage II expansion at the Langer Heinrich Uranium Project, achieving production targets at Langer Heinrich Uranium Project and ongoing exploration and evaluation of its Australian projects.

The increase in gross profitability and decrease in net loss after tax reflects Langer Heinrich Uranium Project achieving name plate production in the September 2008 quarter whereas in year ended 30 June 2008, Langer Heinrich Uranium Project was in a ramp up period.

Current Assets have decreased to US\$384.6 million at 30 September 2008 primarily attributable to a decrease in cash. Cash has decreased to US\$279.7 million at 30 September 2008 as a result of spend on the construction of the Kayelekera Uranium Project, exploration and evaluation project expenditure, additional Deep Yellow Ltd share investment, finance costs, and corporate costs for the quarter ended 30 September 2008.

Non Current Assets have decreased to US\$1,917.8 million at 30 September 2008 mainly attributable to foreign exchange movement on the A\$ exploration assets which exceeded the increase in mine construction at the Kayelekera Uranium Project and Stage II expansion at Langer Heinrich Uranium Project.

Current Liabilities have increased from US\$54.1 million to US\$60.3 million at 30 September 2008 predominantly as a result of construction activities for the Kayelekera Uranium Project.

Non Current Liabilities have decreased from US\$1,079.7 million to US\$1,019.0 million at 30 September 2008 predominantly due to a decrease in existing deferred tax liabilities from a foreign exchange movement on A\$ exploration carrying value translated to US\$.

(d) **Forecast financial information**

Given the current status of Paladin's operations, limited production history at Langer Heinrich Uranium Project and volatility in U_3O_8 prices, Paladin believes that it does not have a reasonable basis for the preparation and presentation of forecast financial information in this Bidder's Statement.

2.7 Publicly available information about Paladin and documents lodged with ASIC

Paladin is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Paladin is subject to the Listing Rules which require continuous disclosure of any information Paladin has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASX maintains files containing publicly disclosed information about all listed companies. Paladin's file is available for inspection at ASX during normal business hours.

In addition, Paladin is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Paladin may be obtained from, or inspected at, an ASIC office.

On request to Paladin and free of charge, Fusion shareholders may obtain a copy of:

- The 2008 Annual Report (being the annual financial report most recently lodged with ASIC before lodgement of this Bidder's Statement with ASIC); and
- any continuous disclosure notice given to ASX by Paladin since the lodgement with ASIC of the 2008 Annual Report and before lodgement of this Bidder's Statement with ASIC.

A list of announcements made by Paladin to ASX since 1 July 2008 is contained in Attachment A.

In addition to these Australian requirements, Paladin is listed on the TSX, in order to comply with the applicable Canadian securities law, further information on Paladin can be found on the SEDAR website: www.sedar.com.

A substantial amount of information about Paladin is available in electronic form from: www.paladinenergy.com.au.

2.8 Announcement by Paladin in relation to the Offer

On 2 December 2008, Paladin made a public announcement to ASX in relation to the Offer. A copy of that announcement is contained in Attachment B of this Bidder's Statement.

3 Information on Paladin's securities

3.1 Paladin issued securities

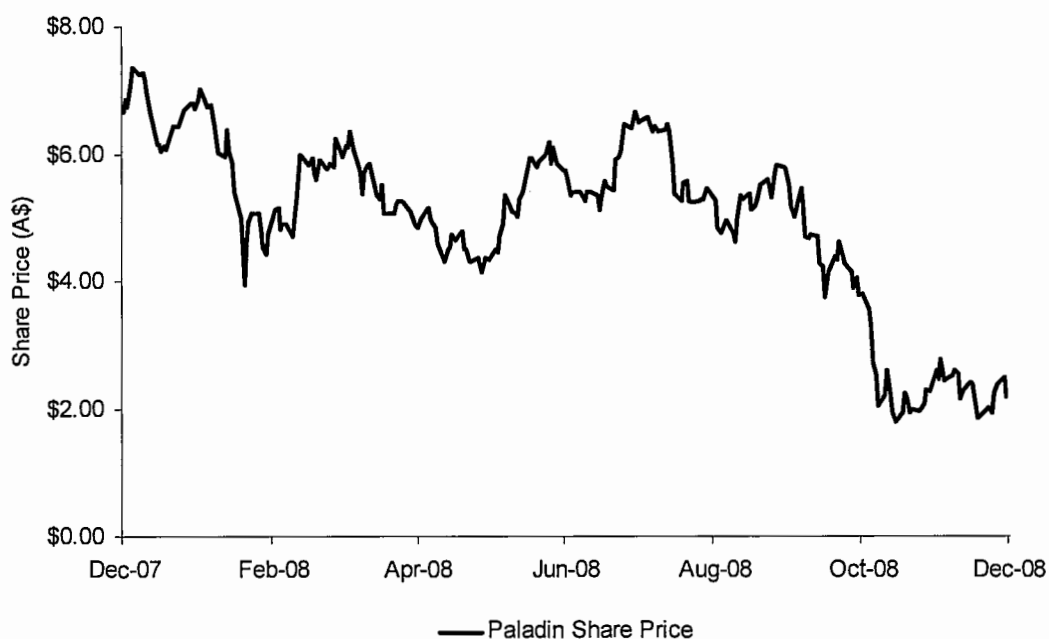
As at the date of this Bidder's Statement, Paladin's issued securities consisted of:

- 613,997,369 Paladin Shares;
- 18,696,455 options to subscribe for Paladin Shares;
- US\$250 million in convertible bonds due December 2011; and
- US\$325 million in convertible bonds due March 2013.

3.2 Recent trading of Paladin Shares on ASX

The closing price of Paladin Shares on ASX over the 12 months prior to the Announcement Date is shown below.

Figure 17: Paladin Share price



Notes:

1. As permitted by ASIC Class Order 07/429, the chart above contains ASX share price trading information sourced from Bloomberg without its consent.

3.3 Rights and liabilities attaching to Paladin Shares

(a) Introduction

The rights and liabilities attaching to the Paladin Shares which will be issued as the consideration under the Offer are set out in Paladin's constitution and in the Corporations Act.

The main rights and liabilities attaching to the Paladin Shares are summarised below.

(b) **Meetings of shareholders and voting rights**

Each Paladin shareholder is entitled to receive notice of, attend and vote at general meetings of Paladin and to receive all notices, accounts and other documents required to be sent to shareholders under the constitution of Paladin or the Corporations Act.

At a general meeting, every person present who is a Paladin shareholder or a proxy, attorney or representative of a Paladin shareholder has one vote on a show of hands and one vote on a poll for each fully paid share held (with adjusted voting rights for partly paid shares). Voting at any general meeting of Paladin shareholders is by a show of hands unless a poll is demanded by at least 5 Paladin shareholders entitled to vote on the resolution, Paladin shareholders holding not less than 5% of the total voting rights of all shareholders having the right to vote on the resolution, or the chairman.

(c) **Dividends**

The directors of Paladin may from time to time determine to distribute the profits of Paladin by way of dividend to Paladin shareholders entitled to the dividend. Each Paladin Share has the same dividend rights, subject to any special rights, arrangements or restrictions attached to the shares.

(d) **Winding up**

Subject to any special resolution or special rights attaching to any Paladin Shares or class of shares, Paladin shareholders will be entitled on a winding up to a share in any surplus assets of Paladin in proportion to the shares held by them.

(e) **Transfer of Paladin Shares**

Paladin shareholders may transfer their Paladin Shares by a written transfer in the usual form or by a proper transfer effected in accordance with the ASTC Settlement Rules and ASX requirements. All transfers must comply with Paladin's constitution, the Listing Rules, the ASTC Settlement Rules and the Corporations Act. The directors may refuse to register a transfer of shares in circumstances permitted by the Listing Rules or the ASTC Settlement Rules. The directors must refuse to register a transfer of shares where required to do so by the Listing Rules or the ASTC Settlement Rules.

Paladin Shares are also traded on the TSX and may be transferred in accordance with the practices and procedures applicable to that exchange.

(f) **Alteration of capital**

The procedures set out in sections 246B to 246E of the Corporations Act must be followed for any variation of rights attached to Paladin Shares. Under that section, with the consent in writing of the holders of at least three quarters of the issued shares in the particular class, or the sanction of a special resolution passed at a meeting of the holders of shares in that class, the rights attached to a class of shares may be varied or cancelled. In either case, the holders of not less than ten per cent of the votes in the class of shares whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

(g) **Proportional takeovers**

The constitution of Paladin requires shareholder approval where a proportional off-market takeover offer is made in respect of Paladin Shares. If such a takeover offer is made, the directors of Paladin must ensure that a resolution of shareholders to approve the takeover bid is voted on.

Each Paladin shareholder (other than the offeror or a persons associated with the offeror) who, as at the end of the day on which the first offer is made under the bid, held Paladin Shares has one vote for each Paladin Share held. The vote is decided on a simple majority.

If the resolution is not passed, transfers which would have resulted from the acceptance of an offer will not be registered and the offer will be taken to have been withdrawn.

(h) **Amendment**

The constitution of Paladin may be amended only by a special resolution passed by at least three quarters of the votes cast by Paladin shareholders entitled to vote on the resolution. At least 28 days written notice specifying the intention to propose the resolution must be given.

3.4 Paladin share option plans

(a) **Current share option plan**

On 21 November 2006, Paladin shareholders approved an 'Executive Share Option Plan'. Under this plan up to 5% of the issued capital of Paladin can be on offer at any one time to eligible executives of Paladin, as determined by the Paladin Board. The maximum term of the options is 5 years, with the exercise price of the options being not less than the market value of a Paladin Share on the date of the grant. The options are convertible into Paladin Shares on a one for one basis and vest 3 years after their grant (or on such other date as determined by the board), except in the case of a takeover or change of control involving more than 50% of Paladin Shares. The percentage of granted options which vest will be determined based on Paladin's performance in terms of Paladin's total shareholder return compared with the other resource companies in the S&P/ASX 200 Index over the 3 years after the options are granted. Unvested options lapse on termination of employment or as determined by the Paladin Board. Vested options lapse various periods after termination of employment, depending on the relevant circumstances. Options are granted at no cost under the plan and carry no dividend or voting rights. The terms of the plan may be amended with the approval of Paladin's shareholders. Further details of the plan are set out in Paladin's notice of AGM dated 17 October 2006, which is available from ASX's or Paladin's website.

Details of the options issued under the current share option plan are set out in Section 3.5(a).

(b) **Previous share option plan**

Prior to the approval of the Executive Share Option Plan, Paladin issued a number of options to its directors, employees and consultants pursuant to a previous share option plan. The maximum term of the options issued under this plan is 5 years, with the vesting requirements and exercise price of the options having been determined by the directors of Paladin at the time of grant. The options are convertible into Paladin Shares on a one for one basis and, subject to any vesting period may be exercised at any time between the date of grant and the expiry date, except in the case of a takeover bid or a scheme of arrangement or if otherwise approved by Paladin shareholders. Options were granted at no cost under the plan and carry no dividend or voting rights.

Details of the options issued under the previous share option plan are set out in Section 3.5(a).

3.5 Options

(a) **Options issued under the current share option plan**

The exercise prices and expiry dates for the Paladin options on issue under the Executive Share Option Plan described in Section 3.4(a) as at the date of this Bidder's Statement are as follows:

Date options granted	Exercise Price	Expiry date	Exercise price of options	Number of options
13 January 2006	13 January 2007	13 January 2009	A\$2.80	170,000
13 January 2006	13 January 2008	13 January 2009	A\$2.80	650,000
19 January 2006	13 January 2008	13 January 2009	A\$2.80	600,000
16 February 2006	13 January 2007	13 January 2009	A\$2.80	600,000
16 February 2006	13 January 2008	13 January 2009	A\$2.80	500,000
27 April 2006	31 October 2007	28 April 2009	A\$5.50	782,500
27 April 2006	31 October 2008	28 April 2009	A\$5.50	782,500
5 July 2006	5 January 2008	5 July 2009	A\$5.50	500,000
5 July 2006	5 January 2009	5 July 2009	A\$5.50	500,000
20 July 2006	5 January 2008	5 July 2009	A\$5.50	200,000
20 July 2006	5 January 2009	5 July 2009	A\$5.50	200,000
1 February 2007	1 February 2010	1 February 2012	A\$8.77	2,733,670
29 January 2008	29 January 2011	29 January 2013	A\$4.50	8,133,402
15 February 2008	15 February 2009	15 February 2011	A\$5.37	700,000
15 February 2008	15 February 2011	15 February 2013	A\$5.37	500,000
18 April 2008	18 April 2011	18 April 2013	A\$4.59	1,075,000
18 June 2008	18 June 2011	18 June 2013	A\$5.27	450,000
14 October 2008	14 October 2008	14 October 2013	A\$2.54	750,000
10 December 2008	10 December 2008	25 November 2013	A\$2.14	200,000
10 December 2008	10 December 2008	25 November 2013	A\$2.07	300,000
TOTAL				20,327,072

(b) **Options issued under the previous share option plan**

The exercise prices and expiry dates for the Paladin options on issue under the previous share option plan described in Section 3.4(b) as at the date of this Bidder's Statement are as follows:

Exercise Price	Expiry Date	Number on Issue	Vesting
\$2.80	13 January 2009	2,420,000	vested
\$5.50	28 April 2009	1,565,000	vested
\$5.50	5 July 2009	300,000	vested
\$5.50	5 July 2009	700,000	5 January 2009

3.6 Convertible bonds

2011 Convertible Bonds

On 30 November 2006, Paladin issued US\$250 million of convertible bonds due 2011. The convertible bonds are unsubordinated, unsecured obligations of Paladin, carry a coupon of 4.50% per annum payable semi-annually and are convertible into Paladin Shares at US\$7.685 per Paladin Share, representing a conversion premium of approximately 38% above the price of Paladin Shares at the time of pricing (A\$7.090 on 30 November 2006, or US\$5.569 based on then-current exchange rates).

Unless previously redeemed or converted, the convertible bonds will be redeemed at par on 15 December 2011. Paladin has the right to redeem all outstanding convertible bonds at their principal amount on or after 5 January 2010 if the Paladin Share price exceeds for a specified period of time 130% of the conversion price.

The convertible bonds are listed on the Singapore stock exchange (Singapore Exchange Securities Trading Limited).

The convertible bond covenants are in line with market practice, with events of default relating to non payment and cross defaults. There are no market capitalisation covenants relating to the renegotiation or repayment of the convertible bond.

2013 Convertible Bonds

On 11 March 2008, Paladin issued US\$325 million of convertible bonds due 2013. The convertible bonds are unsubordinated, unsecured obligations of Paladin, carry a coupon of 5.00% per annum payable semi-annually and are convertible into Paladin Shares at US\$6.59 per Paladin Share (subject to certain adjustments), representing a conversion premium of approximately 25% above the price of Paladin Shares at the time of pricing (A\$5.76 on 20 February 2008, or US\$5.27 based on then-current exchange rates).

Unless previously redeemed or converted, the convertible bonds will be redeemed at par on 11 March 2013. Paladin has the right to redeem all outstanding convertible bonds at their principal amount on or after 1 April 2011 if the Paladin Share price exceeds for a specified period of time 130% of the conversion price.

The convertible bonds are listed on the Singapore stock exchange (Singapore Exchange Securities Trading Limited).

The convertible bond covenants are in line with market practice, with events of default relating to non payment and cross defaults. There are no market capitalisation covenants relating to the renegotiation or repayment of the convertible bond.

3.7 Substantial holders in Paladin Shares

As at the date of this Bidder's Statement, the following persons/entities are substantial shareholders of Paladin Shares:

Holder	Person's votes	Voting Power
GE Asset Management Incorporated	37,300,304	6.07%

4 Information on Fusion and Fusion Group

4.1 Overview of Fusion

Fusion is a public company limited by shares. Fusion was incorporated in Western Australia on 14 May 2002.

Fusion is listed on the ASX and the TSX.

4.2 Directors

As at the date of this Bidder's Statement, there are 6 directors of Fusion:

- (a) Mr Ian Middlemas (Non-Executive Chairman);
- (b) Mr David Berrie (Managing Director);
- (c) Mr Matthew Yates (Non-Executive Director);
- (d) Mr Matthew Rimes (Non-Executive Director);
- (e) Mr Mark Pearce (Non-Executive Director); and
- (f) Mr Michael Raven (Non-Executive Director).

4.3 History, structure and ownership of Fusion Group

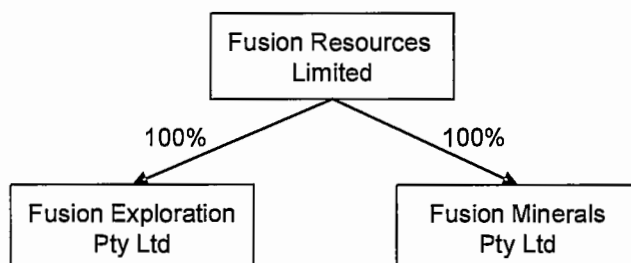
(a) History

Fusion was incorporated in Western Australia on 14 May 2002 as Oremont Limited and was renamed Echelon Resources Limited on 26 November 2004 and again renamed Fusion Resources Limited on 20 August 2007. Fusion commenced trading on the ASX on 3 May 2005 and commenced trading on the TSX on 29 May 2008.

(b) Structure

The corporate structure of Fusion and the companies it controls is as follows:

Figure 18: Fusion Corporate Structure



(c) **Ownership**

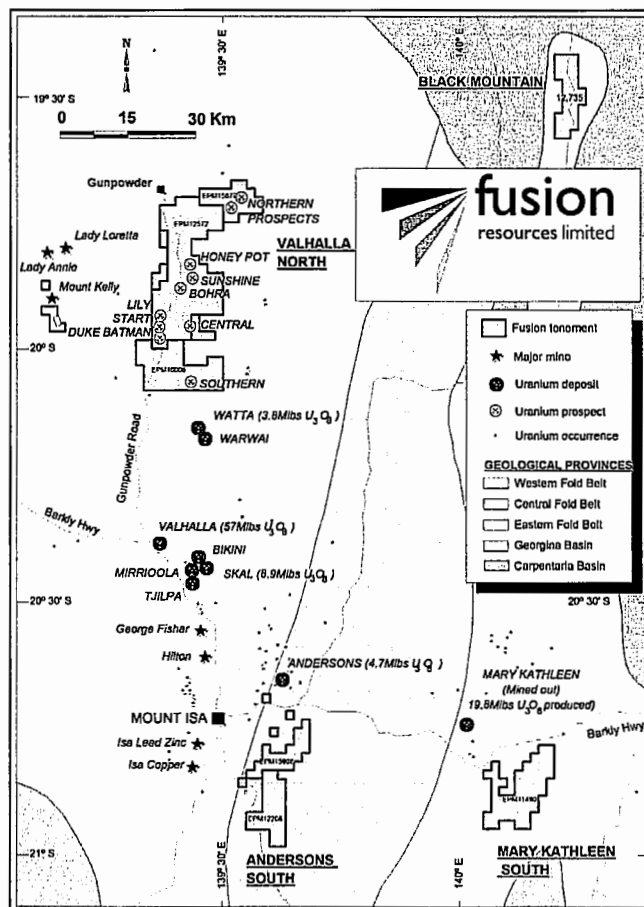
Fusion has the following substantial at the date of this Bidder's Statement:

Shareholder	Number of Shares	Voting Power
Mr Matthew James Rimes and associates	3,800,000	7.78%
CIM Special Situations Fund Limited	4,095,382	7.37%
Arredo Pty Ltd and associates	3,176,923	6.51%

4.4 Principal activities of Fusion and Fusion Group

Fusion is a minerals exploration company with 100% ownership of a number of uranium exploration projects in the Mt Isa region of Queensland. Fusion has identified three high priority uranium projects, Valhalla North, Andersons South and Mary Kathleen South. The location of each project is shown in the map below.

Figure 19: Location of Queensland Uranium Tenements



In addition to its uranium projects Fusion has a portfolio of interests in gold and base metal exploration projects in north Queensland.

(a) **VALHALLA NORTH URANIUM PROJECT**

The Valhalla North Project is located 45km to the north of the Valhalla and Skal Uranium Deposits operated by Summit Resources. Refer to Section 2 of this document for further details on the Valhalla and Skal Uranium Deposits. The Valhalla North Project encompasses three tenements and totals more than 623km². Fusion's exploration efforts within the Valhalla North project have focused on the Duke Batman and Honey Pot Prospects as well as the recently discovered Sunshine and Bohra Anomalies.

On 10 December 2008, following completion of resource estimates by consulting group CSA Global Pty Ltd, Fusion announced its maiden resource estimates in accordance with the JORC Code for the Valhalla North Project as set out below:

Figure 20: Maiden JORC compliant resource for the Valhalla North Project

	Mt	ppm U3O8	t U3O8	Mlb U3O8
Duke Batman:				
Indicated Resource	0.50	780	0.39	0.86
Inferred Resource	1.61	630	1.02	2.24
Honey Pot:				
Inferred Resource	2.56	700	1.80	3.96

Fusion completed its initial RC drilling program over the Project in December 2007, and a second RC and Diamond drilling program in July 2008.

Duke Batman Prospect

The Duke Batman Prospect is located approximately 45km north of Summit Resources' Valhalla uranium deposit. Drilling at the Duke Batman deposit consists of 75 RC holes, for a total of 10,521 metres and 6 diamond drill holes, for a total of 641 metres.

Honey Pot Prospect

The Honey Pot Prospect is located approximately 16km north-northeast of Duke Batman. Drilling at the Honey Pot deposit consists of 46 RC holes, for a total of 5,483 metres and 3 diamond drill holes, for a total of 330.7 metres.

Sunshine Anomaly

The Sunshine Prospect is approximately 1.2km south of the Honey Pot Prospect and consists of two radiometric anomalies over a total of more than 900m of strike. 16 RC holes for 1,646m have been drilled to test the Sunshine Anomaly.

Bohra Anomaly

The Bohra Anomaly is located approximately 6km southwest of the Honey Pot Prospect. 9 RC holes for a total of 760m have been drilled to test this anomaly.

(b) ANDERSONS SOUTH URANIUM PROJECT

The Andersons South Project is located approximately 20km southeast of Mount Isa and directly south of the Summit Resources' tenement containing the Andersons Uranium Project.

The results of a radiometric survey indicate that there are multiple uranium targets located within the tenements.

Field validation of radiometric anomalies is ongoing and will help in identifying priority areas for future surface soil geochemistry, and if warranted, drill testing.

(c) **MARY KATHLEEN SOUTH URANIUM PROJECT**

The Mary Kathleen South Project covers approximately 160km² and is located approximately 9km south east of the now closed Mary Kathleen uranium mine. The results of a geochemical soil sampling program have been received for three areas within the project. A total of 757 samples were taken over 727 sites. The programs covered approximately 6.35km². Results are currently being evaluated but indicate surface uranium and gold anomalism and have highlighted a number of areas for further field validation.

(d) **COPPER CANYON PROJECT**

The Copper Canyon Prospect is located adjacent to Copper Co Limited's Flying Horse Prospect approximately 20km west of the main body of the Valhalla North Project area.

Six RC holes for a total of 720m were drilled to test the potential for copper oxide mineralisation within two targets. A number of additional targets are yet to be drill tested.

(e) **TATE RIVER JOINT VENTURE**

Fusion has entered into a joint venture agreement with Sovereign Metals Limited (**Sovereign**) in relation to the Tate River Project, which allows mineral exploration on this project to be accelerated by Sovereign whilst Fusion retains a direct interest in the project and focuses on its uranium projects.

Under the terms of the agreement, if Sovereign spends \$50,000 on a review of the Tate River Project tenements, this gives it the option to elect to earn an initial 50% interest by spending a further \$1.45 million on exploration of these tenements. Sovereign has recently notified Fusion that it intends to earn this interest and Fusion will be free carried up to the date that this occurs. Fusion can then elect to maintain its 50% interest going forward. If Fusion elects not to maintain its 50% interest, Sovereign then has the option to earn a further 25% interest (up to a maximum of 75%) by spending a further A\$1.5 million.

An RC drill program commenced at Tate River in July 2008.

(f) **BHP EASTERN SUCCESSION JOINT VENTURE**

Fusion has one joint venture with BHP Billiton, comprising EPM9462, which is located south of Cloncurry.

Under the terms of the agreement, BHP Billiton was required to spend \$250,000 on the tenement to earn a 51% interest in the joint venture. BHP Billiton has notified Fusion that it has earned its initial 51% equity interest. BHP Billiton can spend an additional \$250,000 to increase its equity interest to 70% and a further \$1.5m to secure an 80% equity interest. Exploration is focused on identifying silver, lead and zinc mineralization.

During the year ended 30 June 2008, BHP Billiton completed a single combination RC/diamond drill hole at the Altia FF South Target totalling 553m, which intersected a wide interval (>20m) of graphite-pyrrhotite and minor sphalerite (zinc sulphide) rich bands within a siliciclastic metasediment, interpreted as belonging to the lower Tool Creek Volcanics. Best intersections include 8m @ 0.38% zinc from 92m in the RC pre-collar and 4m @ 0.2% Zn and up to 0.15% Pb from 102m in the core.

4.5 Publicly available information about Fusion Group

Fusion is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Fusion is subject to the Listing Rules which require continuous disclosure of any information Fusion has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. A listing of all announcements made by Fusion to ASX since 30 June 2008 is contained in Attachment C of this Bidder's Statement.

ASX maintains files containing publicly disclosed information about all listed companies. Fusion's file is available for inspection at ASX during normal business hours.

In addition, Fusion is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Fusion may be obtained from, or inspected at, an ASIC office.

In addition to these Australian requirements, Fusion is listed on the TSX, in order to comply with the applicable Canadian securities law, further information on Fusion can be found on the SEDAR website: www.sedar.com.

A substantial amount of information about Fusion is available in electronic form from: www.fusionresources.com.au.

5 Information on Fusion's securities

5.1 Fusion's issued securities

According to documents provided by Fusion to ASX, as at the date of this Bidder's Statement, Fusion's issued securities consisted of 48,812,878 Fusion Shares all of which are quoted on ASX and TSX. Fusion also has the following preference shares and unlisted options on issue:

B Class Cumulative Converting Preference Shares	1,500
\$0.50 incentive options exercisable on or before 31 December 2008	1,500,000
\$0.80 incentive options exercisable on or before 30 June 2009	1,525,000
\$1.10 incentive options exercisable on or before 31 December 2009	2,525,000
\$1.30 options exercisable on or before 26 October 2009	375,000
\$1.50 incentive options exercisable on or before 31 December 2010	2,000,000
\$1.50 options exercisable on or before 30 July 2009	720,000
\$1.50 options, subject to certain vesting conditions, expiring 2 years from the date of vesting	375,000

5.2 Interests in Fusion securities

As at the date of this Bidder's Statement:

- Paladin's voting power in Fusion was nil;
- Paladin had no relevant interests in Fusion Shares; and
- Paladin had no relevant interests in Options.

As at the date of the Offer:

- Paladin's voting power in Fusion was [REDACTED];
- Paladin had [REDACTED] relevant interests in Fusion Shares; and
- Paladin had [REDACTED] relevant interests in Options.

5.3 Dealings in Fusion securities

(a) Previous four months

Neither Paladin nor any associate of Paladin has provided, or agreed to provide, consideration for Fusion Shares or Options under any purchase or agreement during the 4 months before the date of this Bidder's Statement.

(b) Period before Offer

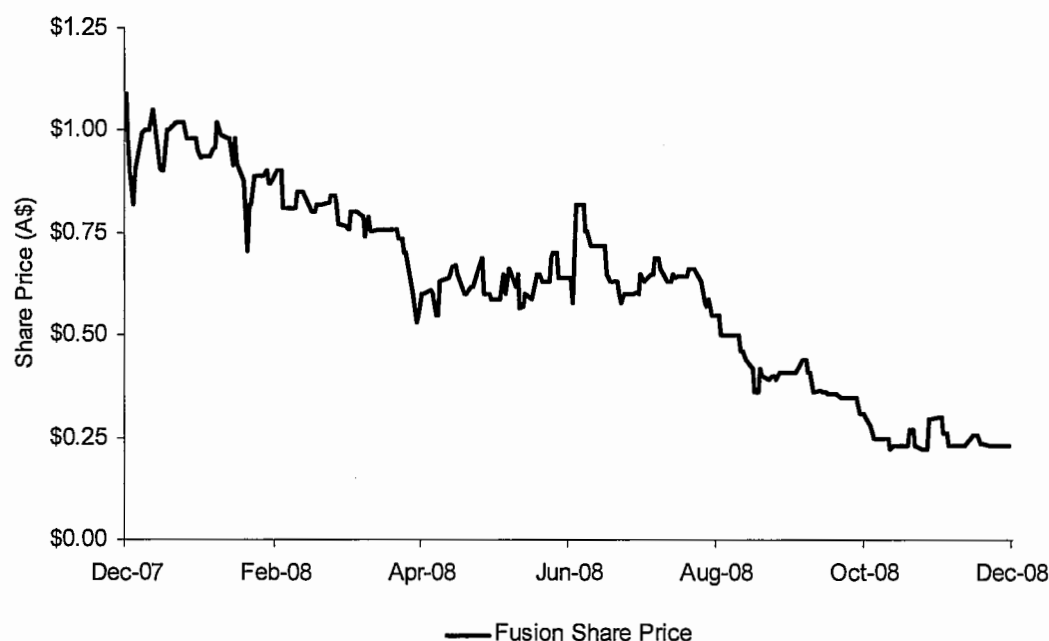
Neither Paladin nor any associate of Paladin has provided, or agreed to provide, consideration for Fusion Shares or Options under any purchase or agreement during the

period starting on the date of this Bidder's Statement and ending on the date immediately before the date of the Offer.

5.4 Recent performance of Fusion Share price on ASX

The closing price of Fusion Shares on ASX over the 12 months prior to the Announcement Date is shown below.

Figure 21: Fusion Share price



Notes:

1. As permitted by ASIC Class Order 07/429, the chart above contains ASX share price trading information sourced from Bloomberg without its consent.

5.5 Effect of the Offer on Fusion Options

The Offer does not extend to the Fusion Options. However, the Offer does extend to Fusion Shares which are issued on the exercise of Options during the Offer Period.

The table below sets out the principal terms of the Fusion Options:

A	\$0.50 incentive options exercisable on or before 31 December 2008	1,500,000
B	\$0.80 incentive options exercisable on or before 30 June 2009	1,525,000
C	\$1.10 incentive options exercisable on or before 31 December 2009	2,525,000
D	\$1.30 options exercisable on or before 26 October 2009	375,000
E	\$1.50 incentive options exercisable on or before 31 December 2010	2,000,000
F	\$1.50 options exercisable on or before 30 July 2009	720,000

G	\$1.50 options, subject to certain vesting conditions, expiring 2 years from the date of vesting – these options vest upon the exercise of the options listed in (D) above	375,000
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Currently, all of the Fusion Options listed in the table above are exercisable other than those Fusion Options listed at (G); those Fusion Options listed at (G) will vest and then be exercisable when the Fusion Options listed at (D) are exercised.

The above is a summary only. Option holders should seek their own advice on their eligibility to exercise their Options.

If not all of the Options are exercised (or otherwise cancelled or acquired by Paladin pursuant to agreements or other arrangements), and Paladin is entitled to compulsorily acquire any outstanding Fusion Shares, Paladin presently intends to seek to compulsorily acquire or cancel any outstanding Options pursuant to Part 6A.2 of the Corporations Act, although it reserves the right not to do so.

5.6 Effect of the Offer on Fusion Preference Shares

The Offer does not extend to the Fusion Preference Shares.

Paladin, Fusion and the Fusion Preference Shareholder have entered into an exchange deed (**Exchange Deed**) whereby the Fusion Preference Shareholder has agreed for Fusion to undertake a selective reduction with respect to the Fusion Preference Shares in exchange for Paladin agreeing to issue Paladin Shares to the Fusion Preference Shareholder in circumstances that are intended to replicate the existing conversion terms of the Fusion Preference Shares. The Exchange Deed is conditional on Paladin having announced the Offer by 31 January 2009 and Paladin becoming the sole holder of the Fusion Shares.

As soon as possible after the conditions are satisfied, Fusion is to convene and hold the requisite general meetings in order for the Fusion Preference Shares to be cancelled by way of selective reduction. Paladin (in its capacity as a Fusion Shareholder) and the Fusion Preference Shareholder have agreed to attend and vote in favour of the resolutions at the general meetings where relevant and where permitted by the Corporations Act.

Once the selective reduction of the Fusion Preference Shares has become effective, and subject to Paladin obtaining any necessary consent from the TSX to the issue and quotation of the Paladin Shares on that exchange on an unconditional basis or subject only to customary conditions, Paladin has agreed to issue to the Fusion Preference Shareholder:

- (A) a number of Paladin Shares calculated by applying the Offer Ratio to 1,500,000 Fusion Shares, upon there being 120 million tonnes of Indicated Mineral Resources of iron ore on Buckland Hills applications ELA08/1075 and ELA/1477 (irrespective of the type of iron ore) in accordance with the provisions of the JORC Code, provided this resource definition is achieved before 31 August 2011; or
- (B) a number of Paladin Shares calculated by applying the Offer Ratio to 1,500 Fusion Shares, on 31 August 2011, if Paladin has not already issued Paladin Shares to the Fusion Preference Shareholder under paragraph (a).

5.7 No pre-Offer benefits

During the period of 4 months before the date of this Bidder's Statement, neither Paladin nor any associate of Paladin gave, or offered to give, or agreed to give a benefit to

another person which was likely to induce the other person, or an associate of the other person, to:

- accept the Offer; or
- dispose of Fusion Shares,

and which is not offered to all holders of Fusion Shares under the Offer.

During the period from the date of this Bidder's Statement to the date before the date of the Offer, neither Paladin nor any associate of Paladin gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept the Offer; or
- dispose of Fusion Shares,

and which is not offered to all holders of Fusion Shares under the Offer.

5.8 No escalation agreements

Neither Paladin nor any associate of Paladin has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

6 Sources of consideration

The consideration for the acquisition of the Fusion Shares to which the Offer relates will be satisfied wholly by the issue of Paladin Shares.

Subject to the satisfaction of the conditions to the Offer, there is no restriction on the ability of Paladin to issue the maximum number of Paladin Shares which it may be required to issue under the Offer.

7 Paladin's intentions in relation to Fusion

7.1 Introduction

The intentions of Paladin in relation to Fusion are set out in this Section of the Bidder's Statement. Those intentions have been formed on the basis of facts and information concerning Fusion, and the general business environment, which are known at the time of preparing this Bidder's Statement. Final decisions will only be reached by Paladin in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this Section are statements of current intention only and accordingly may vary as new information becomes available or circumstances change.

7.2 Overview and rationale for the Offer

Paladin's primary objective in making the Offer is to secure control of Fusion's uranium prospects in Queensland's Mt Isa region, which will add to the portfolio of medium term uranium projects in the Mt Isa region already owned by or controlled by Paladin. If the Offer succeeds, this acquisition would represent another step forward in Paladin's aim of developing a world class uranium mining and processing operation in the Mt Isa region. Whilst this ultimately depends on a change in Queensland State Government policy towards uranium mining, Paladin plans to continue to progress exploration and appraisal of its, and Fusion's, Mt Isa region uranium projects to ensure readiness when and if this policy change occurs.

Depending on the level of acceptances achieved under the Offer, there may be minor synergies associated with combining Fusion's and Paladin's operations, including cost savings achieved through the consolidation of corporate costs. However, Paladin believes that it is primarily by reason of its skills and capabilities in uranium exploration, the development, construction and operation of uranium mining and processing operations, and marketing of uranium that it can bring added value to the Fusion assets.

7.3 Intentions for Fusion as a wholly owned controlled entity

This Section 7.3 describes Paladin's intentions if Paladin and its associates acquire a relevant interest in 90% or more of the Fusion Shares, and so becomes entitled to proceed to compulsory acquisition of outstanding Fusion Shares in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, Paladin's current intentions are as follows:

(a) Corporate matters

Paladin intends to:

- proceed with compulsory acquisition of the outstanding Fusion Shares in accordance with the provisions of Part 6A.1 of the Corporations Act;
- arrange for Fusion to be removed from the official list of the ASX and TSX (subject to any required approval on the part of the operators of those exchanges); and
- replace the members of the Fusion Board with the nominees of Paladin. Replacement board members have not yet been identified by Paladin and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement board members will be members of Paladin's management team.

(b) **Review of operations and assets**

After the end of the Offer Period, Paladin intends to conduct an immediate review of Fusion's assets from a strategic and financial perspective to evaluate:

- the prospects for each of Fusion's assets, and which of these assets demonstrate a strategic fit with Paladin's assets or are consistent with Paladin's corporate objectives and which are not;
- whether and how improvements can be made to any of these assets; and
- which of Fusion's assets are to be retained and which (if any) are to be disposed of, and what value may be realised on the event of an orderly disposal of such assets.

Based upon publicly available information, Paladin presently intends to retain, and continue to evaluate, explore and if viable develop, all of Fusion's uranium assets. In particular, subject to the detailed findings of the asset-by-asset review mentioned above, Paladin confirms that it intends to continue with Fusion's planned exploration and appraisal of the Valhalla North Uranium Project albeit not as a standalone project.

Paladin has not currently formed any intention in relation to the non-uranium assets of Fusion, and will not do so until the completion of its review. However, as Paladin's primary expertise is in the area of uranium exploration, uranium mining and processing and uranium marketing, Paladin believes that the most likely outcome of its review will be a decision to dispose of the non-uranium assets and if so, Paladin will determine the most efficient means of doing so given all the circumstances of the case.

(c) **Impact on employees**

So far as Paladin is aware, the only employees of Fusion are the Managing Director (in his capacity as an employee), the Exploration Manager, a Senior Geologist and a number of administrative staff. The position of Fusion's employees will be considered as part of the review noted in Section 7.3(b) above. Should any employees be made redundant, Paladin will offer redundancy packages consistent with market practice, the terms of employment of the relevant employees and other legal obligations.

7.4 Intentions for Fusion as a part owned controlled entity

This Section 7.4 describes Paladin's intentions if it acquires practical control of Fusion, but is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

Paladin reserves its right to declare the Offer free from the 90% minimum acceptance condition (or any other condition) to the Offer. However, Paladin has not decided whether it will free the Offer from the 90% minimum acceptance condition (or any other condition). This clause 7.4 describes Paladin's intentions if it were to declare the Offer free of the 90% minimum acceptance condition and if Fusion becomes a controlled entity of Paladin, but Paladin is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

It should be noted that Paladin may acquire practical control of, or a significant degree of influence over, Fusion at ownership levels below 50.1%.

In that circumstance, Paladin's current intentions are as follows:

(a) **Corporate matters**

After the end of the Offer Period, Paladin intends, subject to the Corporations Act, Listing Rules and the constitution of Fusion:

- to seek (through discussion and negotiation, but failing agreement, by convening a meeting of Fusion shareholders) to replace some of the members of the Fusion Board with nominees of Paladin, so that there is a majority of Paladin nominees on the Fusion Board and the proportion of such nominees is not less than the voting power of Paladin. If Fusion remains listed on ASX, Paladin would consider, but not necessarily be bound by, the recommendations in the ASX Corporate Governance Guidelines when determining the composition of the Board. Replacement Fusion Board members have not yet been finally decided by Paladin and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement Fusion Board members will be members of the Paladin management team;
- through its nominees on the Fusion Board, support Fusion's continued listing on the official list of the ASX and TSX, but only if the benefits of that listing outweigh the additional corporate and compliance costs of doing so; and
- propose, through its nominees on the Fusion Board, that Fusion's current representatives on joint venture committees be replaced by representatives nominated by Paladin.

It is possible that, even if Paladin is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act: for example, as a result of acquisitions of Fusion Shares in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act. If so, it intends to exercise those rights.

(b) **Review of operations and assets**

After the end of the Offer Period, Paladin intends, through its nominees on the Fusion Board, to propose that Fusion undertake a review of Fusion's assets and operations, along similar lines to that described in Section 7.3(b).

Paladin intends, subject to the approval of the Fusion Board, to participate in this review.

(c) **Dividends and funding**

No dividends have been paid by Fusion to date.

Paladin's view is that, given the early stage of development of nearly all of Fusion's assets, it is unlikely that Fusion will pay dividends in the short or medium term.

Paladin expects that additional funding will be required from time to time in order to support the further development of Fusion's assets. In the event that Fusion does require additional funding, Paladin will, through its nominees on the Fusion Board, support the most appropriate form of such funding, having regard to the interests of all shareholders. If the Fusion Board determines that additional equity is required, Paladin's current intention would (subject to appropriate arms-length terms being agreed) be to support and participate in such equity raising. Paladin will also consider the provision of other forms of funding to Fusion if requested by Fusion, subject to assessment against its usual investment criteria.

(d) **Limitations in giving effect to intentions**

The ability of Paladin to implement the intentions set out in this Section 7.4 will be subject to the legal obligations of Fusion directors to have regard to the interests of Fusion and all Fusion shareholders, and the requirements of the Corporations Act and the Listing Rules relating to transactions between related parties. Paladin will only make a decision on the above mentioned courses of action following legal and financial advice in relation to those requirements.

7.5 Other intentions

Subject to the matters described above in this Section 7 and elsewhere in this Bidder's Statement and, in particular, the completion of the review of Fusion's operations referred to in Section 7.3(b), it is the intention of Paladin, on the basis of the facts and information concerning Fusion that are known to it and the existing circumstances affecting the assets and operations of Fusion at the date of this Bidder's Statement, that:

- the business of Fusion will be conducted in the same manner as at the date of this Bidder's Statement;
- there will be no redeployment of the fixed assets of Fusion; and
- the present employees of Fusion will continue to be employed by Fusion.

8 Effect of the Offer on Paladin

8.1 Introduction

This Section 8.1 provides an overview of the unaudited pro-forma financial position of Paladin as at 30 September 2008 to show the effect of 100% ownership of Fusion.

For the purposes of preparing the unaudited pro-forma balance sheets as at 30 September 2008 set out in Section 8.2 (**Pro Forma Balance Sheets**), it has been assumed that the ownership interest is achieved on one day, that is, there are no staged acquisitions.

The Pro Forma Balance Sheets have been prepared in accordance with the measurement and recognition principals of International Financial Reporting Standards (**IFRS**).

The Pro Forma Balance Sheets have not been audited and may be subject to changes arising from an audit process if an audit was performed on them.

8.2 Summarised Pro Forma Balance Sheets as at 30 September 2008

	Paladin US\$M	Fusion US\$M	Adjust. US\$M	Pro Forma US\$M
Current Assets				
Cash and cash equivalents	279.7	10.5	(1.3)	288.9
Trade and other receivables	40.6	0.3	0.0	40.9
Inventories	63.1	0.0	0.0	63.1
Financial assets held for trading	1.2	0.0	0.0	1.2
TOTAL CURRENT ASSETS	384.6	10.8	(1.3)	394.1
Non Current Assets				
Other financial assets	39.6	2.6	(0.4)	41.8
Investment in associate	2.6	0.0	0.0	2.6
Deferred borrowing costs	1.8	0.0	0.0	1.8
Property, plant and equipment	298.0	0.1	0.0	298.1
Mine development	15.3	0.0	0.0	15.3
Exploration and evaluation expenditure	1,536.1	0.0	0.0	1,536.1
Deferred tax asset	8.0	0.0	0.0	8.0
Intangible assets	16.4	0.0	0.0	16.4
TOTAL NON CURRENT ASSETS	1,917.8	2.7	(0.4)	1,920.1
TOTAL ASSETS	2,302.4	13.5	(1.7)	2,314.2
Current liabilities				
Trade and other payables	47.3	0.3	0.0	47.6
Unearned revenue	0.2	0.0	0.0	0.2
Interest bearing loans and borrowings	11.3	0.0	0.0	11.3
Provisions	1.5	0.0	0.0	1.5

TOTAL CURRENT LIABILITIES	60.3	0.3	0.0	60.6
Non Current Liabilities				
Unearned revenue	0.4	0.0	0.0	0.4
Interest bearing loans and borrowings	575.1	0.0	0.0	575.1
Deferred tax liabilities	429.8	0.0	0.0	429.8
Provisions	13.7	0.0	0.0	13.7
TOTAL NON-CURRENT LIABILITIES	1,019.0	0.0	0.0	1,019.0
TOTAL LIABILITIES	1,079.3	0.3	0.0	1,079.6
NET ASSETS	1,223.1	13.2	(1.7)	1,234.6
EQUITY				
Contributed equity	1,091.5	16.7	(5.2)	1,103.0
Reserves	59.1	2.3	(2.3)	59.1
Accumulated Losses	(105.7)	(5.8)	5.8	(105.7)
PARENT INTERESTS	1,044.9	13.2	(1.7)	1,056.4
MINORITY INTEREST	178.2	0.0	0.0	178.2
TOTAL EQUITY	1,223.1	13.2	(1.7)	1,234.6

8.3 Basis of preparation of the Pro Forma Balance Sheets

For the purposes of preparing the Pro Forma Balance Sheets, Paladin has utilised the audited balance sheet of Fusion as at 30 June 2008 extracted from the financial statements contained in Fusion's 2008 Annual Report. The financial statements have been audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards and an unqualified audit opinion was signed on 23 September 2008.

Paladin has utilised its 30 September 2008 Condensed Consolidated Financial Statements as set out in Paladin's Financial Report for the quarter ending 30 September 2008. Paladin's financial statements are unaudited.

Paladin uses a US dollar presentation currency. Accordingly the balance sheet of Fusion has been translated from Australian dollars to US dollars based on the assumptions set out in Section 8.9 below.

Acquisition accounting entries have been made, consistent with the terms of the Offer and the assumptions set out in Section 8.4 below, in order to arrive at an unaudited pro forma of the Merged Entity in the case of 100% ownership as at 30 September 2008.

The directors of Paladin will undertake a comprehensive assessment of the fair value of the assets and liabilities acquired after the transaction has been completed.

The Pro Forma Balance Sheets are indicative only. The Paladin directors have drawn their conclusions based on the known facts and other information publicly available as at the date of this Bidder's Statement. If the facts, circumstances, assumptions or other information should prove different to that described, the conclusions may change accordingly.

All adjustments have been made in accordance with IFRS.

8.4 Adjustments and assumptions used in preparing the Pro Forma Balance Sheets

The following adjustments and assumptions have been made in the preparation of the Pro Forma Balance Sheets as set out in Section 8.2 above:

- The unaudited balance sheet of Fusion as at 30 June 2008 has been adjusted to reflect the reduction in cash as detailed in Fusion's Appendix 5B as at 30 September 2008.
- The accounting policies applied by Fusion have been consistently applied in the preparation of the pro forma balance sheets, and no review has been made on the appropriateness of these policies or accounting treatments.
- The issue of 8,135,730 Paladin Shares (inclusive of the 250 Paladin Shares issued as consideration for the cancellation of the Fusion Preference Shares) at an issue price of A\$2.19 which is the price at 2 December to shareholders of Fusion pursuant on the Announcement Date.

Approximately US\$0.4 million in costs are expected to be incurred by Paladin in relation to the Offer and have been capitalised as a component of the cost of acquiring Fusion as part of Paladins' investment in Fusion.

8.5 Impact of the delineation between exploration and evaluation expenditure, intangible assets and goodwill

For the purpose of preparing the Pro Forma Balance Sheets the excess of consideration over the net fair value of the assets acquired has been allocated to the exploration and evaluation asset.

The Paladin directors will perform a comprehensive fair value assessment at the completion of the transaction at which point they will be able to measure and allocate the fair values appropriately. The final delineation between the exploration and evaluation expenditure, any identifiable intangible assets and any goodwill will be important. Each class of asset will have a different impact at the time of acquisition and going forward on the balance sheet and income statement of the Merged Entity. In particular:

- any goodwill would not be amortised, but will be subject to annual impairment testing;
- any acquired intangibles may have a short to medium useful life and must be amortised over those periods;
- exploration and evaluation expenditure, assuming it leads to future production would be amortised over the life of reserves. If information becomes available to indicate that the carrying value of capitalised exploration and evaluation expenditure exceeds its recoverable amount an impairment loss is recognised immediately;
- deferred taxes arising in relation to intangible assets would be recognised, but cannot be recognised in relation to goodwill;
- an impairment loss attributable to a cash generating unit is firstly allocated to goodwill and then any other assets (including intangible assets) on a pro-rata basis; and
- any impairment losses can be reversed for intangible assets but not for goodwill.

8.6 Non-current assets held for sale

The directors of Paladin have not currently formed any intention in relation to the non-uranium assets of Fusion, and will not do so until the completion of a detailed review subsequent to the transaction. However, as Paladin's primary expertise is in the area of uranium exploration, mining and development, the directors may decide to subsequently dispose of the non-uranium assets. Notwithstanding any future decisions, for the basis of the Pro Forma Balance Sheets, no portion of the exploration and evaluation expenditure has been classified as a non-current asset held for sale.

Under the requirements of IFRS, an asset would be classified as a non-current asset held for sale if the asset is available for immediate sale and its sale is highly probable. Notwithstanding any future decisions by the directors of Paladin, as at 30 September 2008, these criteria are unlikely to be met and therefore for the basis of the Pro Forma Balance Sheets no portion of the exploration and evaluation expenditure has been classified as a non-current asset held for sale.

8.7 Tax base of exploration and evaluation expenditure

Once the Paladin directors have had an opportunity to perform a detailed tax review of the individual tenements and any mining information acquired their assessment of the tax base may change.

8.8 Paladin Share price at acquisition date

Under the requirements of IFRS, the cost of a business combination is measured at the date of acquisition if the business combination is achieved in a single exchange transaction or at each exchange date if control is gained in a staged process. For the purpose of the Pro Forma Balance Sheets, Paladin has assumed a single "fixed" price of Paladin Shares. However, this is likely to change between the date of the Bidder's Statement and the final acquisition date or exchange dates, which will impact on the final acquisition accounting.

8.9 US dollar presentation currency

Paladin has adopted a US dollar presentation currency. Accordingly, Fusion's financial statements have been translated to US dollars in order to prepare the Pro Forma Balance Sheets.

Under the requirements of AASB 121 "The Effects of Changes in Foreign Exchange Rates", assets and liabilities must be translated at the closing rate at the date of that balance sheet, the income and expenses must be translated at exchange rates at the dates of the transactions and all resulting exchange differences must be recognised as a separate component of equity.

For the purpose of preparing the Pro Forma Balance Sheets a closing rate of 1.548 has been used to translate the entire Fusion balance sheet from Australia dollars to US dollars at 30 June 2008. Given the information available, it has not been possible to assess the appropriate historic rate to be used for the translation of the retained earnings. On the completion of the transaction, the directors will undertake a detailed review of the retained earnings in order to determine the appropriate rate.

9 Risk factors

9.1 Introduction

If the Offer becomes unconditional, Fusion shareholders who accept the Offer will become Paladin shareholders, and Paladin will acquire an interest in Fusion. In that event, Fusion shareholders will:

- continue to be indirectly exposed to the risks associated with having an interest in Fusion's assets and to general exploration and mining industry risks;
- be exposed to some risks which are specific to Paladin and its current operations; and
- also be exposed to additional risks relating to the Offer and the Merged Entity.

These risks are explained in greater detail below.

9.2 General and exploration and mining industry risks

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the exploration and mining industry. These risk factors are largely beyond the control of Paladin and its directors because of the nature and location of the existing and proposed business activities of Paladin.

The following summary, which is not exhaustive, represents some of the major risk factors for Paladin.

(a) Economic conditions

Economic conditions, both domestic and global, may affect the performance of Paladin.

Adverse changes in macroeconomic conditions, including global and country-by-country economic growth, the cost and general availability of credit, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, employment rates and industrial disruption, amongst others, are outside the control of Paladin and may result in material adverse impacts on the business and its operating results.

(b) Share market conditions

As Paladin is listed on the ASX and TSX, its share price is subject to the numerous influences that may affect both the trends in the share market and the share prices of individual companies, including movements in international and local stock markets, changes in the outlook for commodities and, more specifically, uranium prices, inflation, interest rates, general economic conditions, changes in government, fiscal, monetary and regulatory policies. In the future, these factors may cause Paladin Shares to trade below current prices and may affect the income and expenses of Paladin.

(c) General legal and taxation matters

Future earnings, asset values, and the relative attractiveness of Paladin Shares may be affected by changes in law and government policy in the jurisdictions in which the Merged Entity will operate, in particular changes to taxation laws (including stamp duty and GST).

In addition, accepting the Offer may involve tax considerations that may differ for each Fusion shareholder. Each Fusion shareholder is encouraged to seek professional tax advice in connection with accepting the Offer (see also Section 10 in respect of Australian tax considerations).

(d) **Speculative nature of mineral exploration and development**

Development of Paladin's mineral exploration properties is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of risk increases substantially when a company's properties are in the exploration phase as opposed to the development, construction and operational phase. There is no assurance that commercial quantities of ore will be discovered on any of Paladin's exploration properties. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade, metallurgy and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals, and environmental protection. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of Paladin.

(e) **Mineral resources and ore reserves**

No assurance can be given that the anticipated tonnages and grades of ore will be achieved during production or that the indicated level of uranium recovery will be realised. Uranium price fluctuations, as well as increased production costs or reduced recovery rates, may render ore reserves containing relatively lower grades uneconomic and may ultimately result in a restatement of such ore reserves. Moreover, short-term operating factors relating to ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore types or grades may cause a mining operation to be unprofitable in any particular accounting period.

(f) **Uncertainty relating to inferred mineral resources**

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to measured or indicated resources or proven or probable mineral reserves as a result of continued exploration.

(g) **Government regulations**

Paladin's activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment and upon interests of native and/or indigenous peoples. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of Paladin's properties, the extent of which cannot be predicted.

In the context of environmental permitting, including the approval of reclamation plans, Paladin must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting

authority. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Paladin's operations.

While it is possible that costs and delays associated with compliance with such laws, regulations and permits could become such that Paladin will not proceed with the development or operation of a mine, Paladin is not aware of any material environmental constraint affecting its proposed mining activities or exploration properties that would preclude the economic development or operation of any specific mine or property.

In the context of interests of native and/or indigenous peoples in Australia, the Native Title Act 1993 recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. The risks arising because of native title and aboriginal land rights may affect Paladin's ability to gain access to prospective exploration areas to obtain production titles. Compensatory obligations may be necessary in settling native title claims lodged over any of the tenements held or acquired by Paladin. The level of impact of these matters will depend, in part, on the location and status of Paladin's tenements.

(h) **Foreign operations**

Paladin's operations in Namibia and Malawi are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties vary from country to country and include, but are not limited to, currency exchange rates, rates of inflation, labour unrest, renegotiation or nullification of existing concessions, licenses, permits and contracts, changes in taxation policies, restrictions on foreign exchange, changing political conditions and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or otherwise benefit residents of that country or region.

Changes, if any, in mining or investment policies or shifts in political attitude in any of the countries in which it operates may adversely affect Paladin's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, 'black economic empowerment' or similar policies, employment, contractor selection and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements.

The occurrence of these various factors adds uncertainties which cannot be accurately predicted and could have an adverse effect on Paladin's operations or profitability.

(i) **Volatility of uranium prices**

The mining industry is competitive and there is no assurance that, even if significant quantities of a mineral resource are discovered, a profitable market will exist for the sale of this mineral the same. In particular, there can be no assurance that uranium prices will be such that Paladin's uranium properties can be mined at a profit. The only significant commercial use for uranium is to fuel civil nuclear power plants for the generation of electricity. Any adverse change in policies or laws concerning nuclear power in countries which operate nuclear power plants may negatively affect Paladin.

Factors beyond the control of Paladin may affect the marketability of any minerals discovered. Uranium prices are subject to volatile price changes from a variety of factors

including international economic and political trends, expectations of inflation, global and regional demand, alternative sources to meet energy consumption, currency exchange fluctuations, interest rates, global or regional consumption patterns, technological improvements leading to more efficient use of uranium, speculative activities and increased production due to improved mining and production methods or increased exploration.

(j) **Mineral exploration and mining carry inherent risks**

Mining operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput. Although it is intended to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on Paladin's operations and its financial results.

(k) **Competition**

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, Paladin may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that Paladin will acquire any interest in additional operations that would yield reserves or result in commercial mining operations.

9.3 Paladin specific risks

(a) **Key personnel**

Recruiting and retaining qualified personnel is critical to Paladin's success. The number of persons skilled in the acquisition, exploration and development of mining projects is limited and competition for such persons is vigorous. As Paladin's business activity grows, it will require additional key financial, administrative, mining, marketing, and public relations personnel as well as additional staff on the operations side. In particular, Paladin will be required to hire additional personnel in Malawi. Although Paladin believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

(b) **Labour and employment matters**

While Paladin has good relations with its employees, these relations may be impacted by changes in the scheme of labour relations which may be introduced by the relevant country governmental authorities which regulates its operations. Adverse changes in such legislation may have a material adverse effect on Paladin's business.

(c) **Subsidiaries**

Paladin conducts certain of its operations through subsidiaries and holds certain of its assets in such subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between Paladin and its subsidiaries could restrict Paladin's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on Paladin's valuation and stock price.

(d) **Currency risk**

Paladin's operations incur expenditures primarily in the local currencies of Australia, South Africa, Namibia and Malawi. Revenue from operations and debt financings will be

in US dollars. As a result of these different currencies, Paladin is subject to foreign currency fluctuations which may materially affect its financial position and operating results.

(e) **Production risk**

Paladin's principal business to date has been the evaluation and development of uranium projects in Africa and Australia. Commissioning of production, including at Kayelekera, may not proceed to plan with potential for delay in the timing of targeted production and/or for not achieving the level of targeted production. As Paladin moves into production its activities may be affected by numerous other factors beyond Paladin's control. Mechanical failure of Paladin's operating plant and equipment, and general unanticipated operational and technical difficulties, may adversely affect Paladin's operations. There is limited operating history available from Paladin's sites. Operating risks beyond Paladin's control may expose it to uninsured liabilities. The business of mining, exploration and development is subject to a variety of risks and hazards such as cave-ins and other accidents, flooding, environmental hazards, the discharge of toxic chemicals and other hazards and the use of contractors including contract miners. Such occurrences may delay production, increase production cost or result in damage to and destruction of, mineral properties or production facilities, personal injury, environmental damage and legal liability. Paladin has insurance to protect itself against certain risks of mining and processing within ranges of coverage consistent with industry practice. However, Paladin may become subject to liability for hazards that it cannot insure against or that it may elect not to insure against of high premium costs or other reasons. The occurrence of an event that is not fully covered at all, by insurance, could have a material adverse effect on its financial condition and results of operations.

(f) **Liquidity and future financings**

Further exploration and development of the various mineral properties in which Paladin holds interests depends upon Paladin's ability to obtain financing through operational cash flows, joint ventures, debt financing, equity financing or other means. There is no assurance that Paladin will be successful in obtaining the financing required as and when needed. Volatile markets for mineral commodities may make it difficult or impossible for Paladin to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause Paladin to postpone its development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

(g) **Dilution**

Paladin may undertake additional offerings of securities in the future. The increase in the number of shares issued and the possibility of sales of such shares may have a depressive effect on the price of shares already on issue. In addition, as a result of the issue of such additional shares, the voting power of Paladin's existing shareholders may be diluted.

(h) **Project specific risk – Langer Heinrich**

The Langer Heinrich mine now achieves original nameplate production of 2.6Mlb per annum U_3O_8 and an expansion is currently being constructed to increase production to 3.7Mlb per annum. There is a level of risk that delays in construction will result in an extension of the envisaged ramp-up to stated production targets.

Langer Heinrich has in place a project finance loan facility with a current balance of US\$65.7m that is fully drawn down. The loan is repayable over several instalments to 2012. The capacity to repay the loan is dependent on the cash flow generated by the mine and ultimately the ongoing financial support of Paladin.

(i) **Project specific risk – Kayelekera**

There remains a potential risk that ramp up will not proceed as currently scheduled resulting in production shortfalls versus plan and budget. Operating costs are heavily dependant upon reagent supply costs which until recently had been escalating considerably (but now appear to be reducing significantly), and actual consumptions will not be known until the plant is operating and some optimization has taken place.

Financing for the Kayelekera Uranium Project is currently being finalised. A number of conditions precedent must be satisfied prior to drawdown. There is a risk that the conditions precedent will not be satisfied.

(j) **Uranium contracts**

Paladin has entered into a number of take-or-pay contracts for offtake of uranium oxide from Langer Heinrich with large and financially sound customers. These contracts provide Paladin with market prices subject to escalating floor and ceiling prices while allowing Paladin to benefit from some upside should the spot market for uranium oxide out-perform the ceiling prices. Paladin faces a risk of non-performance on these contracts as well as potential penalties if its fails to meet its obligations in terms of product quality and/or timing of supply. Paladin has entered one fixed price contract with an Asian power utility for supply from the Kayelekera Uranium Project.

(k) **Political stability**

Paladin's activities are principally conducted in Southern Africa. In Southern Africa, Paladin's projects may be subject to the effect of political changes, war and civil conflict, changes in government policy, lack of law enforcement and labour unrest and the creation of new laws. These changes (which may include new or modified taxes or other government levies as well as other legislation) may impact on the profitability and viability of its properties.

(l) **Security of tenure**

All tenements in which Paladin has interests are subject to renewal conditions or are yet to be granted, which will be at the discretion of the Federal Ministry and the relevant Ministries in Western Australia, South Australia, Northern Territory, Queensland, Namibia and Malawi. The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on Paladin being successful in obtaining required statutory approvals for proposed activities. While Paladin anticipates that subsequent renewals will be given as and when sought, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

(m) **Operating history**

Although Paladin has the utmost confidence in its ability, it, like most Australian uranium companies, has limited operating history and there can be no assurance of its ability to operate its projects profitably. While Paladin intends to generate working capital through operation of its proposed uranium mines, there is no assurance that Paladin will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for exploration and development programs.

(n) **Logistics**

Logistical risk relates to long supply lines, and lack of engineering and other support facilities close to Paladin's operating sites. In Africa, the transshipment of uranium concentrate through neighbouring countries for export could be subject to disruptions through political disputes and natural disasters.

(o) **Uninsurable risks**

Paladin may become subject to liability for accidents, pollution and other hazards against which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, or in amounts, which exceed policy limits.

(p) **Dividend policy**

Paladin has paid no dividends on its ordinary shares since its date of incorporation and Paladin does not anticipate paying dividends on its shares in the near future. Paladin anticipates that it will retain future earnings and other cash resources for the future operation and development of its business and Paladin does not intend to declare or pay any cash dividends in the near future. Payment of any future dividends will be at the discretion of Paladin's board of directors after taking into account many factors, including Paladin's operating results, financial condition and current and anticipated cash needs.

(q) **Convertible Bond Notes**

The trustee for the holders of the convertible bonds may give notice requiring immediate repayment of the convertible bonds if certain events of default occur. As Paladin does not hold sufficient cash to repay the notes on demand, such action could require Paladin to raise debt or equity funding or sell assets on unfavourable terms or, if funds could not be raised in this manner, could result in Paladin becoming insolvent and being wound up. The events of default are set out in the prospectuses for the convertible bonds dated 5 December 2006 and 6 March 2008. So far as Paladin is aware, there is no event of default that is currently subsisting or likely to occur in respect of the notes.

In addition to the events of default, the terms of the convertible bonds include covenants which are also set out in the prospectuses for the convertible bonds dated. The covenants include a restriction on Paladin and its subsidiaries from granting or allowing to continue security over their assets for financing in the form of or represented by notes, bonds, debentures, debenture stock, loan stock or other securities.

Holders of convertible bonds are also entitled to require redemption of their bonds following a change of control of Paladin.

9.4 Risks relating to the Offer and the Merged Entity

(a) **Issue of Paladin Shares as consideration**

Fusion shareholders are being offered consideration under the Offer that consists of a specified number of Paladin Shares, rather than a number of Paladin Shares with a specified market value. As a result, the value of the consideration will fluctuate depending upon the market value of the Paladin Shares. For example, Paladin's Share trading range on ASX in the 12 months prior to the Announcement Date has been from a high of A\$7.35 to a low of A\$1.79.

(b) **Increased exposure to changes in State Government uranium mining policy**

The Merged Entity will have a greater proportion of its uranium interests in Australia relative to Paladin on a stand-alone basis, although still a lower proportion relative to Fusion on a stand-alone basis. As a result, Fusion shareholders should expect that the trading prices of the Merged Entity's shares will be affected by changes in State Government uranium mining policy to a greater extent than Paladin Shares in the past. Current and anticipated law and policy in this area is discussed in greater detail in Section 11.1.

10 Australian tax considerations

10.1 Introduction

The following is a general description of the Australian taxation consequences for Fusion shareholders of the acceptance of the Offer.

The following description is based upon the Australian law and administrative practice in effect at the date of this Bidder's Statement, but it is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of every Fusion shareholder.

This Section does not constitute taxation advice and Fusion shareholders should seek independent taxation advice in relation to their own particular circumstances.

Fusion shareholders who are not resident in Australia for tax purposes should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer.

The following summary is intended only for Australian resident Fusion shareholders.

10.2 Australian resident shareholders

The Australian taxation consequences of the Offer will depend upon a number of factors, including:

- your tax residency status;
- whether you hold Your Fusion Shares on capital account, revenue account or as trading stock; and
- whether scrip for scrip roll-over relief is available.

If you have any questions about the taxation aspects of holding or disposing Fusion Shares then you should seek specific advice from a professional taxation adviser before making a decision whether or not to accept the Offer.

(a) Fusion Shares held on capital account

If you hold Fusion Shares as a passive investment with the intention of generating dividend income and long term capital growth, you may be considered to hold Your Fusion Shares on capital account for taxation purposes.

Acceptance of the Offer will involve the disposal of Your Fusion Shares by way of transfer to Paladin. This change in the ownership of the Fusion Shares will constitute a CGT event for Australian capital gains tax purposes.

You will make a capital gain if the market value of the Paladin Shares received, calculated at the time the Offer is accepted, exceeds the cost base of the Fusion Shares.

For CGT purposes, the cost base of the Fusion Shares would generally include the amount paid to acquire those Fusion Shares plus any incidental costs of acquisition and disposal (for example, brokerage, and stamp duty and advisor's fees).

You will make a capital loss if the capital proceeds received are less than the reduced cost base of the Fusion Shares. A capital loss may be used to offset capital gains derived

in the same or subsequent years of income. A capital loss cannot be offset against ordinary income.

If you are an individual, trust or complying superannuation fund that has held the Fusion Shares for twelve months or longer at the time of your acceptance of the Offer, the capital gain derived may be a discount capital gain so that only half of the gain for an individual or trust, or two-thirds of the gain for a complying superannuation fund, is included in assessable income.

If you are a company or have not held the Fusion Shares for at least 12 months at the date of acceptance of the Offer, then you are not eligible to claim a discount on the capital gain.

If you make a capital gain as a result of accepting this Offer and the other conditions of scrip for scrip rollover are satisfied (refer below), you may be eligible for tax relief upon the disposal of Your Fusion Shares under the scrip for scrip rollover relief provisions.

Scrip for scrip rollover relief

Scrip for scrip rollover relief enables a shareholder to elect to disregard the capital gain they make from a share that is disposed of as part of a corporate takeover or merger if the shareholder only receives in exchange a replacement share.

Scrip for scrip rollover will only be available if Paladin increases its shareholding in Fusion to at least 80% under the Offer.

The effect of a shareholder choosing to claim rollover relief will be that the capital gain that would otherwise arise to the shareholder from the disposal of their Fusion Shares will be disregarded.

If scrip for scrip rollover relief is elected, the cost base of the Paladin Shares that you receive is based upon the cost base of Your Fusion Shares. You will be taken to have acquired the Paladin Shares at the time the Fusion Shares were acquired for CGT purposes.

Scrip for scrip rollover is not available if you would realise a capital loss on acceptance of the Offer.

Where scrip for scrip rollover relief is not claimed or is not available in relation to the disposal of Fusion Shares

Where scrip for scrip rollover relief is not claimed or is not available in relation to the disposal of the Fusion Shares, you will make either a capital gain or capital loss equal to the difference between the cost base/reduced cost base of Your Fusion Shares and the market value of the Paladin Share you receive under the Offer.

(b) Fusion Shares held on revenue account

If you acquired Your Fusion Shares with the main purpose of reselling them at a profit (for example if you are a bank or insurance company) you may be considered to hold Your Fusion Shares on revenue account for tax purposes.

Where this is the case, any gain or loss realised on disposal of Your Fusion Shares will be assessable as ordinary income or claimed as a revenue deduction. The gain or loss will be calculated as the difference between the value of the consideration, being the Paladin Shares received on disposal, and the cost of acquiring the Fusion Shares.

In these circumstances scrip for scrip rollover relief will not be available.

(c) **Fusion Shares held as Trading Stock**

If you are engaged in the business of share trading, where you regularly buy and sell shares with a view to making profits in the ordinary course of carrying on a business of share trading, you may be holding Your Fusion Shares as trading stock.

If you hold Your Fusion Shares as trading stock, scrip for scrip rollover relief will not be available on acceptance of this Offer. The market value of the Paladin Share you receive from accepting this Offer will be included in your assessable income.

10.3 Taxation implications of holding Paladin Shares

As a consequence of accepting the Offer, shareholders will cease to be shareholders of Fusion and will become shareholders of Paladin. Dividends received by Australian resident shareholders of Paladin would generally be required to be included in the assessable income of such shareholders.

(a) **Subsequent disposal of Paladin Shares held on revenue account**

A shareholder holding their Paladin Shares on revenue account will be required to treat any gain or loss arising on a subsequent disposal of their Paladin Shares as assessable or deductible, respectively.

(b) **CGT on subsequent disposal of Paladin Shares**

The subsequent disposal of Paladin Shares by Australian resident shareholders will generally result in Australian CGT implications.

These will differ depending upon whether or not scrip for scrip rollover relief was claimed in relation to the disposal of Fusion Shares pursuant to the Offer.

Where scrip for scrip rollover relief is not claimed or is not available in relation to the disposal of Fusion Shares

Where scrip for scrip rollover relief is not claimed or is not available in relation to the disposal of the Fusion Shares, the cost base of each Paladin Share would include the market value of the Fusion Shares disposed of under the Offer at the time of exchange (plus incidental costs).

If you are an individual, trust or complying superannuation fund that has held Paladin Shares for twelve months or longer at the time of the subsequent disposal, the capital gain derived will be a discount capital gain so that only half of the gain for an individual or trust, or two-thirds of the gain for a complying superannuation fund, is included in the shareholder's assessable income.

If you are a company or have held the Paladin Shares for less than 12 months, then you will not be eligible to claim the discount on the capital gain.

Where scrip for scrip rollover relief is claimed in relation to the disposal of Fusion Shares

Where scrip for scrip rollover relief was claimed in relation to the disposal of Fusion Shares, the cost base of the Paladin Shares is adopted from the original cost base of the Fusion Shares disposed of under the Offer.

A shareholder will be taken to have acquired the Paladin Shares at the time the Fusion Shares were acquired for CGT purposes. Consequently, shareholders will be entitled to add together the ownership periods for both the Fusion and Paladin Shares to determine whether the 12 month ownership requirement is satisfied for the discount capital gain rules. If you have any questions about the financial or taxation aspects of holding or

selling Paladin Shares, you should seek your own independent advice from a professional advisor before making a decision whether or not to accept the Offer.

10.4 Shareholders who are non-Australian resident

The following is a general statement of the Australian taxation outcomes for shareholders who are not Australian resident based on the law applicable at the date of this Bidder's Statement.

If you are a non-Australian resident shareholder you should seek taxation advice from an independent professional adviser regarding the taxation consequences in Australia and in your country of residence of accepting the Offer.

Disposal of Fusion Shares held on capital account

Generally, if you are non-Australian resident shareholder and hold Your Fusion Shares on capital account you will not be subject to CGT on the disposal of Your Fusion Shares unless:

- you (and your associates) owned at least 10% of Fusion either at the time you sold Your Fusion Shares or for at least 12 months during the 24 months before you sold Your Fusion Shares; and
- more than 50% of the value of Fusion is represented by real property in Australia.

Your Fusion Shares will also be taxable if you used Your Fusion Shares at any time in carrying on a business through a permanent establishment in Australia.

At the date of this Bidder's Statement, there are no non-Australian resident shareholders who own 10% or more of the issued capital in Fusion.

Disposal of Fusion Shares on revenue account

If you are a non-resident of Australia and hold Your Fusion Shares on revenue account or as trading stock, you may be assessed in Australia on any gain or profit on the disposal of these shares. The taxation consequences will also depend upon the provisions of any relevant tax treaty between your country of residence and Australia.

10.5 Foreign Shareholders

If you are a Foreign Shareholder and accept this Offer you will not be entitled to receive Paladin Shares in exchange for Your Fusion Shares. As set out in Sections 11.5 and 12.7 of this Bidder's Statement, the nominee will arrange for the Paladin Shares that you would have otherwise been entitled to receive to be sold. You will receive the proceeds of sale (less brokerage and sale expenses) of the Paladin Shares calculated in accordance with the formula in Section 12.7.

The taxation consequences of receiving cash instead of Paladin Shares will generally be the same as if you received the Paladin Shares directly and immediately sold them.

10.6 Goods and services tax

Holders of Fusion Shares should not be liable to GST in respect of a disposal of those shares.

11 Other material information

11.1 State and Federal Government uranium mining policy

In 1996, the newly elected Commonwealth Liberal-National Coalition Government abolished the so-called "no new mines" policy of the outgoing Australian Labor Party, which employed Commonwealth powers over export licences to limit uranium mining to the two then-existing mines (Ranger in the Northern Territory and Olympic Dam in South Australia). The Labor Party's firm opposition to increased uranium mining had halted the development of several new uranium mines during the period 1983 to 1996.

Generally speaking, the power to grant exploration and mining licences in Australia, including those relating to radioactive ores and concentrates (which include uranium) is exercised by the relevant State Government under state mining legislation. However, the Commonwealth Government has legal control of uranium mining in the Northern Territory, while delegating aspects of its day to day administration to the Northern Territory Government.

The previous Federal Liberal Government sought to develop and expand Australia's uranium industry by allowing mining and export of uranium, subject to strict provisions to safeguard the environment and prevent the uranium from being used for weapons development. In June 2006, it commissioned a comprehensive review of uranium mining, value-added processing and the longer term contribution of nuclear energy in Australia known as the Review of Uranium Mining Processing and Nuclear Energy (the **Switkowski Report**).

The Switkowski Report concludes generally that nuclear power is a mature, safe and clean means of generating baseload electricity and that nuclear power is a practical option that Australia would need to seriously consider to meet the growing demand for energy and to reduce greenhouse gas emissions. On the issue of uranium mining, the Switkowski Report concludes that Australia has the capacity to expand its production and exports of uranium and global growth in uranium provides a timely opportunity for Australia. However, the Switkowski Report also identifies a number of barriers to uranium mining that currently exist, including overlapping Commonwealth and State regulations, high capital costs, sensitivity to delays and uncertainty in obtaining approvals, restrictive policies in relation to land access and transport, and a shortage in skills and radiation safety professionals.

The current Federal Labor Government released its policy on uranium mining while in opposition, at the Australian Labor Party National Conference on 28 April 2007. There, the Australian Labor Party overturned its 25-year ban on new uranium mines. The main components of the Australian Labor Party's policy include: leaving the decision to develop new uranium mines to State Governments; pursuing more effective international export control regimes and tighter controls on nuclear technology transfer; and opposing all uranium-related activities other than uranium mining and exportation.

On 17 November 2008, the Liberal-National Government of Western Australia formally lifted an administrative ban on uranium mining, opening the way for dozens of potential new projects throughout the state to be developed. The previous Labor government had excluded uranium from all mining leases since June 2002. The South Australian Government officially does not permit the development of new mines but the recent approval of the Honeymoon mine will increase the number of operating uranium mines in South Australia to three, and be the fourth in Australia.

Consequently, Western Australia's decision leaves Queensland as the only state with a ban on new uranium mines.

11.2 Cazaly Action

In October 2005, Fusion entered into an agreement with Cazaly and Cazaly's wholly owned subsidiary Cazaly Iron Pty Ltd (formerly Cyril Resources Pty Ltd) (**Cazaly Iron**) in respect of the Shovelanna Iron Ore Project (the **Agreement**).

Cazaly Iron applied for the Shovelanna Iron Ore Project on 29 August 2005 following the expiry of the underlying tenement, E46/209. E46/209 was previously held by Hamersley Resources Limited (a subsidiary of Rio Tinto Limited), Wright Prospecting Pty Ltd and Hancock Prospecting Pty Ltd (the **Rhodes Ridge JV**). On 5 September 2005, the Rhodes Ridge JV participants applied for mining leases 46/437 to 46/440 over substantially the same area that was previously occupied by E46/209.

Under the Agreement, Fusion was required to provide specialist iron ore technical services to advance the Shovelanna Iron Ore Project through to development. Under the terms of the Agreement, Fusion would be entitled to earn a 14% interest in the Shovelanna Iron Ore Project by contributing \$2,500,000 on exploration within 3 years from the date of the grant of the Shovelanna Iron Ore Project and receipt of all necessary approvals. If Fusion earned a 14% interest in the Shovelanna Iron Ore Project, a joint venture would be formed between Cazaly Iron and Fusion, under which Fusion would be required to contribute to future costs accordingly to its interests in the Shovelanna Iron Ore Project. Under the terms of the Agreement, Fusion received 5,000,000 options in Cazaly exercisable at \$1 on or before 31 December 2007.

Cazaly Iron's application for the Shovelanna Iron Ore Project was opposed by Rio Tinto Limited on behalf of the Rhodes Ridge JV on 21 September 2005. By a letter to the Minister for State Development, Rio Tinto Limited requested the Minister exercise his discretion under section 111A of the Mining Act 1978 (WA) to refuse Cazaly Iron's application on the grounds it would not be in the public interest to grant the Shovelanna Iron Ore Project to Cazaly Iron.

After a period of submissions and consideration by the Minister for State Development, Cazaly Iron was notified on 21 April 2006 that the Minister had terminated Cazaly Iron's application for the Shovelanna Project.

On 7 August 2006, Cazaly Iron submitted an application in the Supreme Court of Western Australia for judicial review of the Minister's decision to terminate its application for the Shovelanna Iron Ore Project. The application named Minister John Bowler and each of the Rhodes Ridge JV participants as Respondents.

On 28 August 2007, the Court of Appeal of the Supreme Court of Western Australia unanimously refused to quash the Minister's decision to refuse to grant the Shovelanna Project to Cazaly Iron. The Court of Appeal of Western Australia specifically ordered Cazaly Iron pay the costs of the Respondents.

On 25 September 2007, Cazaly Iron applied for special leave to appeal the decision of the Court of Appeal of Western Australia to the High Court of Australia. On 18 April 2008, the High Court of Australia rejected Cazaly Iron's application. The High Court awarded costs against Cazaly Iron.

As the Shovelanna Iron Ore Project was refused and was never granted to Cazaly Iron, Fusion was never in the position to earn a 14% interest in the Shovelanna Iron Ore Project. Accordingly, Fusion has no ongoing rights, title or interest in the Shovelanna Iron Ore Project.

11.3 Mount Isa Uranium Joint Venture

On the 3 August 2007 Paladin's wholly owned subsidiary, MIU entered into a settlement agreement with respect to proceedings which had been commenced by SRA (which had,

by the time of the settlement, become ultimately 81.9% owned by the Company) against MIU and the unrelated entity, Resolute Pty Ltd (**Summit Proceedings**). The Summit Proceedings related to alleged breaches of confidentiality provisions in the Mount Isa Uranium Project joint venture agreement. If successful, SRA would have been entitled to the transfer of MIU's 50% interest in the Mount Isa Uranium Project joint venture for 85% of its market value.

Areva NC (Australia) Pty Ltd (**Areva**), being a 10.01% shareholder of the parent company of SRA subsequently applied to the Supreme Court of Western Australia for, relevantly, orders under Section 237 of the Corporations Act 2001 to be granted leave to intervene in and effectively re-open the Summit Proceedings, notwithstanding the settlement. The Areva intervention proceedings are ongoing and are listed for a trial commencing on 18 May 2009.

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

11.4 Date for determining holders of Fusion Shares

For the purposes of section 633(b) of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is the Register Date.

11.5 Foreign Shareholders

Fusion shareholders who are Foreign Shareholders will not be entitled to be issued Paladin Shares as consideration for their Fusion Shares pursuant to the Offer.

A Fusion shareholder is a Foreign Shareholder for the purposes of the Offer if their address as shown in the register of members of Fusion is in a jurisdiction other than Australia or its external territories, New Zealand or Canada. However, such a person will not be a Foreign Shareholder if Paladin is satisfied that it is not legally or practically constrained from making the Offer to a Fusion shareholder in the relevant jurisdiction and to issue Paladin Shares to such a shareholder on acceptance of the Offer, and that it is lawful for the shareholder to accept the Offer in such circumstances in the relevant jurisdiction. Notwithstanding anything else in this Bidder's Statement, Paladin is not under any obligation to spend any money, or undertake any action, in order to satisfy itself concerning any of these matters.

The Paladin Shares which would otherwise have been issued to Foreign Shareholders will instead be issued to a nominee approved by ASIC, who will sell these Paladin Shares. The net proceeds of the sale of such Paladin Shares will then be remitted to the relevant Foreign Shareholders. See Section 12.7 for further details.

11.6 Compulsory acquisition of later-issued Fusion Shares

If Paladin and its associates have relevant interests in at least 90% of the Fusion Shares during, or at the end of the Offer Period, Paladin will (if it and its associates have a relevant interest in more than 90% of Fusion Shares at the time) give a notice of compulsory acquisition to all holders of outstanding Fusion Shares, even if the Fusion Shares to which those notices relate are issued:

- after the Offer closes but before the notices are given (pursuant to section 661A(4)(b) of the Corporations Act); or
- on exercise of Options, up to 6 weeks after the notices are given (pursuant to section 661A(4)(c) of the Corporations Act).

11.7 Social security and superannuation implications of Offer

Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist advice.

11.8 Consents

Azure Capital Pty Ltd has given, and not withdrawn prior to the lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as Paladin's financial adviser in the form and context it is so named. Azure Capital takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

Blakiston & Crabb has given, and not withdrawn prior to the lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as Paladin's Australian legal advisers in the form and context it is so named. Blakiston & Crabb takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named in this Bidder's Statement as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Bidder's Statement other than being named as Share Registrar to Paladin. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Bidder's Statement.

David Princep has given, and not withdrawn prior to the lodgement of this Bidder's Statement with ASIC, his written consent to the inclusion in this Bidder's Statement of all statements made by him or attributed to or derived from those statements in the form and context in which they are included in Section 2.5(a) to Section 2.5(g) (inclusive).

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, (free of charge), during the bid period, please contact the offer information line on 1800 883 213 (from within Australia) or +61 8 6263 0898 (from outside Australia). Please note any calls to this line may be recorded.

As permitted by ASIC Class Order 07/429 this Bidder's Statement contains share price trading data sourced from Bloomberg without its consent.

In addition, as permitted by ASIC Class Order 03/635, this Bidder's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

11.9 Disclosure of interests of certain persons

Other than as set out below or elsewhere in this Bidder's Statement no:

- director or proposed director of Paladin;
- person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- promoter of Paladin; or
- underwriter to the issue of Paladin Shares or financial services licensee named in this Bidder's Statement as being involved in the issue of Paladin Shares,

(together, the **Interested Persons**) holds at the date of this Bidder's Statement or held at any time during the last two years, any interest in:

- the formation or promotion of Paladin;
- property acquired or proposed to be acquired by Paladin in connection with its formation or promotion, or the offer of Paladin Shares under the Offer; or
- the offer of Paladin Shares.

11.10 Disclosure of fees and benefits received by certain persons

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- to a director or proposed director of Paladin to induce them to become, or to qualify as, a director of Paladin;
- for services provided by an Interested Person in connection with the formation or promotion of Paladin or the offer of Paladin Shares under the Offer.

The fees paid in connection with the preparation and distribution of this Bidder's Statement and for services provided in connection with the Offer, including legal, taxation and financial advisers and registry fees, are expected to total between approximately US\$0.4 million and US\$0.5 million, depending on the level of acceptance of the Offer (see Section 8.4 for further information).

11.11 Disclosure of interests of directors

(a) Interests in Paladin Shares

As at the date of this Bidder's Statement, the directors of Paladin had the following relevant interests in Paladin Shares:

Director	Number
Rick Crabb	5,581,528
John Borshoff	21,591,394
Sean Llewelyn	100,000
Donald Shumka	50,000
Ian Noble	21,000

(b) Interests in Paladin options

As at the date of this Bidder's Statement, the directors of Paladin had the following relevant interests in Paladin options:

Director	Exercise Price	Number
Rick Crabb	Nil	Nil
John Borshoff	\$8.77	1,500,000
	\$4.50	1,250,000
Sean Llewelyn	Nil	Nil
Donald Shumka	Nil	Nil
Ian Noble	Nil	Nil

(c) **Interests in Fusion Shares**

As at the date of this Bidder's Statement, the directors of Paladin had no relevant interests in Fusion Shares.

(d) **Indemnity and insurance**

The constitution of Paladin permits the grant of an indemnity (to the maximum extent permitted by law) in favour of each officer and auditor of the company and all past and present executive officers or auditors.

The constitution of Paladin also provides for the grant of an indemnity (subject to the Corporations Act) in favour of every person who from time to time is or has been an employee of the company.

Paladin has entered into deeds of indemnity and access with all of the current directors. This indemnity is against liability to third parties by such officers unless the liability arises out of conduct involving a lack of good faith. The indemnity also covers costs or expenses incurred by an officer in unsuccessfully defending proceedings relating to that person's position.

Paladin maintains an insurance policy in respect of certain present and future officers against certain liability incurred in that capacity. Disclosure of the total amount of any premium paid and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

11.12 Expiry date

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

11.13 Other material information

Except as disclosed elsewhere in this Bidder's Statement, there is no other information that is:

- material to the making of a decision by a Fusion shareholder whether or not to accept the Offer; and
- known to Paladin,

which has not previously been disclosed to Fusion shareholders.

12 The terms and conditions of the Offer

12.1 Offer

- (a) Paladin offers to acquire all of Your Fusion Shares on and subject to the terms and conditions set out in Section 12 of this Bidder's Statement.
- (b) Subject to the terms of the Offer, Paladin will Offer you 1 Paladin Share for every 6 Fusion Shares. If a Fusion Shareholder becomes entitled to a fraction of a Paladin Share that fraction will be rounded to the nearest whole number of shares, with a fraction of 0.5 being round down.
- (c) If at the time this Offer is made to you, you are a Foreign Shareholder, you will not receive Paladin Shares. Instead, you are offered and will be paid a cash amount determined in accordance with Section 12.7 of this Bidder's Statement.
- (d) The Paladin Shares to be issued are ordinary shares in Paladin and will be credited as fully paid and have the rights summarised in Section 3.3.
- (e) By accepting this Offer, you undertake to transfer to Paladin not only the Fusion Shares to which the Offer relates, but also all Rights attached to those Fusion Shares (see Section 12.5(c)(6) and Section 12.6(c)).
- (f) This Offer is being made to each person registered as the holder of Fusion Shares in the register of Fusion shareholders at open of business (Perth, Western Australia time) on the Register Date. It also extends to:
 - (1) the holder from time to time of any Fusion Shares issued on exercise of Options during the Offer Period; and
 - (2) any person who becomes registered as the holder of Your Fusion Shares during the Offer Period.
- (g) If, at the time the Offer is made to you, or at any time during the Offer Period, another person is registered as the holder of some or all of Your Fusion Shares, then:
 - (1) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to that other person in respect of those Fusion Shares; and
 - (2) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to you in respect of any other Fusion Shares you hold to which the Offer relates; and
 - (3) this Offer will be deemed to have been withdrawn immediately at that time.
- (h) If at any time during the Offer Period you are registered as the holder of one or more parcels of Fusion Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate and distinct Offer on the same terms and conditions as this Offer had been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the Offer for each distinct parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Bidder's Statement and/or the Acceptance Form, please call the offer information line on 1800 883 213 (from within Australia) or +61 8 6263 0898 (from outside Australia) to request those additional copies.

- (i) If Your Fusion Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting the Offer.

- (j) The Offer is dated [REDACTED].

12.2 Offer Period

- (a) Unless withdrawn, the Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 5.00pm (Perth, Western Australia time) on the later of:

- (1) [REDACTED]; or

- (2) any date to which the Offer Period is extended.

- (b) Paladin reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.

- (c) If, within the last 7 days of the Offer Period, either of the following events occurs:

- (1) the Offer is varied to improve the consideration offered; or

- (2) Paladin's voting power in Fusion increases to more than 50%,

then the Offer Period will be automatically extended so that it ends 14 days after the relevant event in accordance with section 624(2) of the Corporations Act.

12.3 How to accept this Offer

- (a) General

- (1) Subject to Section 12.1(g) and Section 12.1(h), you may accept this Offer only for all of Your Fusion Shares.

- (2) You may accept this Offer at any time during the Offer Period.

- (b) Fusion Shares held in your name on Fusion's issuer sponsored subregister

To accept this Offer for Fusion Shares held in your name on Fusion's issuer sponsored sub-register (in which case your SRN (Securityholder Reference Number) will commence with 'I'), you must:

- (1) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and

- (2) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at the address shown on the Acceptance Form.

- (c) Fusion Shares held in your name in a CHESS Holding

- (1) If Your Fusion Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are not a Participant, you should instruct your Controlling Participant (this is normally the stockbroker either through whom you bought Your Fusion Shares or through whom you ordinarily acquire shares on the ASX) to initiate acceptance of this

Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.

- (2) If Your Fusion Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are a Participant, you should initiate acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.
- (3) Alternatively, to accept this Offer for Fusion Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you may sign and complete the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form and ensure that it (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received in sufficient time for Paladin to act on it before the end of the Offer Period, at the address shown on the Acceptance Form.

(d) Acceptance Form and other documents

- (1) The Acceptance Form forms part of the Offer.
- (2) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by Paladin at one of the addresses shown on the Acceptance Form before the end of the Offer Period.
- (3) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by facsimile, it will be deemed to be received in time if the facsimile transmission is received (evidenced by a confirmation of successful transmission) before the end of the Offer Period, but you will not be entitled to receive the consideration to which you are entitled until your original Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received at one of the addresses shown on the Acceptance Form.
- (4) When using the Acceptance Form to accept this Offer in respect of Fusion Shares in a CHESS Holding, you must ensure that the Acceptance Form (and any documents required by the terms of this Offer and the instruction on the Acceptance Form) are received by Paladin in time for Paladin to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.
- (5) The postage of the Acceptance Form and other documents is at your own risk.

12.4 Validity of acceptances

- (a) Subject to this Section 12.4, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in Section 12.3.
- (b) Paladin will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. Paladin is not required to communicate with you prior to making this determination. The determination of Paladin will be final and binding on all parties.
- (c) Notwithstanding Sections 12.3(b), 12.3(c), and 12.3(d), Paladin may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form it receives to be a valid acceptance in respect of Your Fusion Shares, even if a requirement

for acceptance has not been complied with but the payment of the consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by Paladin.

- (d) Where you have satisfied the requirements for acceptance in respect of only some of Your Fusion Shares, Paladin may, in its sole discretion, regard the Offer to be accepted in respect of those of Your Fusion Shares but not the remainder.
- (e) Paladin will provide the consideration to you in accordance with Section 12.6, in respect of any part of an acceptance determined by Paladin to be valid.

12.5 The effect of acceptance

- (a) Once you have accepted the Offer, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your Fusion Shares from the Offer or otherwise dispose of Your Fusion Shares, except as follows:
 - (1) if, by the relevant times specified in Section 12.5(b), the conditions in Section 12.8 have not all been fulfilled or freed, this Offer will automatically terminate and Your Fusion Shares will be returned to you; or
 - (2) if the Offer Period is extended for more than one month and, at the time, this Offer is subject to one or more of the conditions in Section 12.8, you may be able to withdraw your acceptance in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.
- (b) The relevant times for the purposes of Section 12.5(a)(1) are:
 - (1) in relation to the condition in Section 12.8(c), the end of the third Business Day after the end of the Offer Period; and
 - (2) in relation to all other conditions in Section 12.8, the end of the Offer Period.
- (c) By signing and returning the Acceptance Form, or otherwise accepting this Offer pursuant to Section 12.3, you will be deemed to have:
 - (1) accepted this Offer (and any variation of it) in respect of, and, subject to all of the conditions to this Offer in Section 12.8 being fulfilled or freed, agreed to transfer to Paladin, Your Fusion Shares (even if the number of Fusion Shares specified on the Acceptance Form differs from the number of Your Fusion Shares), subject to Section 12.1(g) and Section 12.1(h);
 - (2) represented and warranted to Paladin, as a fundamental condition going to the root of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your Fusion Shares (including any Rights) to Paladin is registered, that all Your Fusion Shares are and will be free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership in Your Fusion Shares (including any Rights) to Paladin, and that you have paid to Fusion all amounts which at the time of acceptance have fallen due for payment to Fusion in respect of Your Fusion Shares;
 - (3) irrevocably authorised Paladin (and any director, secretary or nominee of Paladin) to alter the Acceptance Form on your behalf by inserting correct details

of Your Fusion Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by Paladin to make it an effective acceptance of this Offer or to enable registration of Your Fusion Shares in the name of Paladin;

- (4) if you signed the Acceptance Form in respect of Fusion Shares which are held in a CHESS Holding, irrevocably authorised Paladin (or any director, secretary or agent of Paladin) to instruct your Controlling Participant to initiate acceptance of this Offer in respect of Your Fusion Shares in accordance with Rule 14.14 of the ASTC Settlement Rules;
- (5) if you signed the Acceptance Form in respect of Fusion Shares which are held in a CHESS Holding, irrevocably authorised Paladin (or any director, secretary or agent of Paladin) to give any other instructions in relation to Your Fusion Shares to your Controlling Participant, as determined by Paladin acting in its own interests as a beneficial owner and intended registered holder of those Fusion Shares;
- (6) irrevocably authorised and directed Fusion to pay to Paladin, or to account to Paladin for, all Rights in respect of Your Fusion Shares, subject, if this Offer is withdrawn, to Paladin accounting to you for any such Rights received by Paladin;
- (7) irrevocably authorised Paladin to notify Fusion on your behalf that your place of address for the purpose of serving notices upon you in respect of Your Fusion Shares is the address specified by Paladin in the notification;
- (8) with effect from the date on which all the conditions to this Offer in Section 12.8 have been fulfilled or freed, to have irrevocably appointed Paladin (and any director, secretary or nominee of Paladin) severally from time to time as your true and lawful attorney to exercise all your powers and Rights in relation to Your Fusion Shares, including (without limitation) powers and Rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings of Fusion and to request Fusion to register, in the name of Paladin or its nominee, Your Fusion Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable);
- (9) with effect from the date on which all the conditions to this Offer in Section 12.8 have been fulfilled or freed, to have agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting of Fusion or to exercise or purport to exercise any of the powers and Rights conferred on Paladin (and its directors, secretaries and nominees) in Section 12.5(c)(8);
- (10) agreed that in exercising the powers and Rights conferred by the powers of attorney granted under Section 12.5(c)(8), the attorney will be entitled to act in the interests of Paladin as the beneficial owner and intended registered holder of Your Fusion Shares;
- (11) agreed to do all such acts, matters and things that Paladin may require to give effect to the matters the subject of this Section 12.5(c) (including the execution of a written form of proxy to the same effect as this Section 12.5(c) which complies in all respects with the requirements of the constitution of Fusion) if requested by Paladin;
- (12) agreed to indemnify Paladin in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or SRN (Securityholder Reference Number) or in consequence of the transfer of Your Fusion Shares to Paladin being registered by Fusion without production of your Holder Identification

Number or your SRN (Securityholder Reference Number) for Your Fusion Shares;

- (13) represented and warranted to Paladin that, unless you have notified it in accordance with Section 12.1(h), Your Fusion Shares do not consist of separate parcels of Fusion Shares;
 - (14) irrevocably authorised Paladin (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASTC Settlement Rules to transfer Your Fusion Shares to Paladin's Takeover Transferee Holding, regardless of whether it has paid the consideration due to you under this Offer;
 - (15) agreed, subject to the conditions of this Offer in Section 12.8 being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that Paladin may consider necessary or desirable to convey Your Fusion Shares registered in your name and Rights to Paladin; and
 - (16) agreed to accept the Paladin Shares to which you have become entitled by acceptance of this Offer subject to the constitution of Paladin and have authorised Paladin to place your name on its register of shareholders in respect of those Paladin Shares.
- (d) The undertakings and authorities referred to in Section 12.5(c) will remain in force after you receive the consideration for Your Fusion Shares and after Paladin becomes registered as the holder of Your Fusion Shares.

12.6 Payment of consideration

- (a) Subject to Sections 12.4(b), 12.6 and 12.7 and the Corporations Act, Paladin will provide the consideration due to you for Your Shares on or before the earlier of:
- (1) one month after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within one month after this Offer becomes unconditional; and
 - (2) 21 days after the end of the Offer Period.
- (b) Where the Acceptance Form requires an additional document to be delivered with your Acceptance Form (such as a power of attorney):
- (1) if that document is given with your Acceptance Form, Paladin will provide the consideration in accordance with Section 12.6(a);
 - (2) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is subject to a defeating condition, Paladin will provide the consideration due to you on or before the earlier of one month after this Offer becomes unconditional and 21 days after the end of the Offer Period;
 - (3) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is not subject to a defeating condition, Paladin will provide the consideration due to you on or before the earlier of one month after that document is given and 21 days after the end of this Offer Period;
 - (4) if that document is given after the end of the Offer Period, and the Offer is not subject to a defeating condition, Paladin will provide the consideration within 21 days after that document is delivered. However, if at the time the document is given, the Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance referred to in section 652C(1) or (2) of

the Corporations Act, Paladin will provide the consideration due to you within 21 days after the Offer becomes unconditional.

- (c) If you accept this Offer, Paladin is entitled to all Rights in respect of Your Fusion Shares. Paladin may require you to provide all documents necessary to vest title to those Rights in Paladin, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to Paladin, or if you have received the benefit of those Rights, Paladin will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Paladin) of those Rights, together with the value (as reasonably assessed by Paladin) of the franking credits, if any, attached to the Rights. Any such deduction will be made from any Paladin Shares otherwise due to you on the basis that one Paladin Share is worth \$2.19.
- (d) If you have accepted the Offer and you are a Foreign Shareholder, you will be paid your share of the proceeds from the sale of the Paladin Shares in accordance with Section 12.7.
- (e) Payment of any cash amount to which you are entitled under the Offer will be made by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) to the address as shown on the most up to date copy of the Fusion register provided to Paladin before your consideration cheque is produced.
- (f) The obligation of Paladin to issue and allot any Paladin Shares to which you are entitled will be satisfied by Paladin:
- (1) entering your name on the register of members of Paladin; and
 - (2) dispatching or procuring the dispatch to you by pre-paid post to your address shown on the most up to date copy of the Fusion register provided to Paladin before your consideration was issued under section 633(2) of the Corporations Act, a confirmation of the issue of Paladin Shares in your name. If Your Fusion Shares are held in a joint name, confirmation of the issue of Paladin Shares will be issued in the name of, and forwarded to, the holder whose name appears first in Fusion's register of members on the date set by Paladin under section 633(2) of the Corporations Act.
- (g) If at the time you accept the Offer any of the following:
- (1) *Banking (Foreign Exchange) Regulations 1959 (Cth)*;
 - (2) *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002 (Cth)*;
 - (3) *Charter of the United Nations (Sanctions – Afghanistan) Regulations 2001 (Cth)*;
 - (4) *Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003 (Cth)*; or
 - (5) any other law of Australia,

require that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other government authority be obtained before you receive any consideration for Your Fusion Shares, or would make it unlawful for Paladin to provide any consideration to you for Your Fusion Shares, you will not be entitled to receive any consideration for Your Fusion Shares until all requisite authorities, clearances or approvals have been received by Paladin. As far as Paladin is aware, as at the date of this Bidder's Statement, the persons to whom this Section 12.6(g)) will apply are: prescribed supporters of the former government of Yugoslavia; ministers and senior

officials of the Government of Zimbabwe; senior members of the Burmese regime and their associates and supporters; persons associated with the former government of Iraq (including senior officials, immediate family members of senior officials, entities owned or controlled by any of those persons or a person acting on behalf of or at the direction of any of the aforementioned persons or bodies); Usama bin Laden; the Taliban; members of the Al-Qaeda organisation; and a person named in the list maintained pursuant to paragraph 2 of Resolution 1390 of the Security Council of the United Nations.

12.7 Foreign Shareholders

(a) If you are a Foreign Shareholder, you will not be entitled to receive Paladin Shares as the consideration for Your Fusion Shares as a result of accepting this Offer, and Paladin will:

- (1) arrange for the issue to a nominee approved by ASIC (the **Nominee**) of the number of Paladin Shares to which you would have been entitled but for Section 12.1(c) and the equivalent provision in each other offer under the Offer;
- (2) cause the Paladin Shares so issued to be offered for sale by the Nominee on ASX as soon as practicable and otherwise in the manner, at the price and on such other terms and conditions as are determined by the Nominee; and
- (3) cause the Nominee to pay to you the amount ascertained in accordance with the formula:

$$\frac{N \times YS}{TS}$$

where:

'N' is the amount which is received by the Nominee upon the sale of all Paladin Shares under this Section 12.7 less brokerage and sale expenses;

'YS' is the number of Paladin Shares which would, but for Section 12.1(c), otherwise have been allotted to you; and

'TS' is the total number of Paladin Shares allotted to the Nominee under this Section 12.7.

- (b) You will be paid your share of the proceeds of the sale of Paladin Shares by the Nominee in Australian currency.
- (c) Payment will be made by cheque posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) at most up to date copy of the Fusion register provided to Paladin before your consideration cheque is produced as soon as practicable and in any event within the period required by the Corporations Act.
- (d) Under no circumstances will interest be paid on your share of the proceeds of the sale of Paladin Shares by the Nominee, regardless of any delay in remitting these proceeds to you or your receipt of those proceeds.

12.8 Conditions of this Offer

Subject to Section 12.9, the completion of this Offer and any contract that results from an acceptance of this Offer, are subject to the fulfilment of the conditions set out below:

(a) **Minimum acceptance**

At or before the end of the Offer Period, Paladin has a relevant interest in such number of Fusion Shares which represents at least 90% of the aggregate of all the Fusion Shares on issue at the end of the Offer Period.

(b) **Consent to Quotation**

The TSX consents to the issue and quotation of the Paladin Shares to be issued under the Offer on that exchange on an unconditional basis or subject only to customary conditions.

(c) **Lender's Consent**

The Société Générale, Australia Branch (ABN 71 092 516 286), in its capacity as agent under the Common Terms Agreement:

- (1) irrevocably and unconditionally consents to the acquisition by Paladin of all the Fusion Shares pursuant to the Offer for the purposes of the Common Terms Agreement; and
- (2) irrevocably and unconditionally waives any default under the Common Terms Agreement which has arisen, or may arise, solely as a result of the announcement or completion of the Offer by Paladin.

(d) **Options**

During or at the end of the Offer Period, either:

- (1) all Fusion Options have been exercised, cancelled or transferred to Paladin or agreement has been reached between Paladin and the holders of the Fusion Options to do so; or
- (2) Paladin is entitled to compulsorily acquire all outstanding Fusion Options in accordance with Chapter 6A of the Corporations Act.

(e) **Preference Shares**

At the end of the Offer Period all Fusion Preference Shares have been, or the holder of the Fusion Preference Shares has agreed that the Fusion Preference Shares will be, converted into a total of 1,500 Fusion Shares, cancelled, revoked, transferred to Paladin or otherwise rendered permanently ineffective.

(f) **Valhalla North Uranium Project JORC Code Resource**

Before the end of the Offer Period, Fusion announces to ASX that the Valhalla North Uranium Project has a JORC Code compliant resource of not less than 6 million pounds at a cut off of not less than 250ppm of uranium oxide (U₃O₈) based on information compiled by CSA Global Pty Ltd ACN 077 165 532.

(g) **Cash Balance**

At the end of the Offer Period, Fusion has a net cash balance (after allowing for all creditors, contingencies and accruals for any liabilities, including any amounts due by Fusion to Cazaly pursuant to the settlement and release deed referred to in section 12.8(r)), of not less than \$14.0 million.

(h) **No Change of Control Rights**

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person having any rights, being entitled to have any rights, alleging an entitlement, or expressing or announcing an intention (whether or not that intention is stated to be a final or determined decision of that person) (in all cases whether subject to conditions or not), as a result of any change of control event in respect of Fusion (including Paladin acquiring shares in Fusion) or any of its subsidiaries or assets, to:

- (1) terminate or alter any contractual relations between any person and Fusion or any of its subsidiaries (for this purpose an alteration includes of the operations of a contract, whether or not that altered operation is provided for under the existing terms of the contract);
- (2) require the termination, modification or disposal (or offer to dispose) of any interest or asset, corporate body, joint venture or other entity; or
- (3) accelerate or adversely modify the performance of any obligations of Fusion or any of its subsidiaries under any agreements, contracts or other legal arrangements.

(i) **Access to Information**

Between the Announcement Date and the end of the Offer Period, Fusion promptly, and in any event within two Business Days, provides to Paladin a copy of all material information which Paladin may from time to time reasonably request, whether or not generally available (within the meaning of section 1042C the Corporations Act) relating to Fusion or any of its subsidiaries, or their respective assets, liabilities or operations.

(j) **No regulatory actions**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (1) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;
- (2) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (3) no application is made to any Government Agency (other than by Paladin or any of its associates),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of, Chapter 6, 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offer or the acquisition of Fusion Shares under the Offer or the completion of any transaction contemplated by this Bidder's Statement, or seeks to require the divestiture by Paladin of any Fusion Shares, or the divestiture of any material assets of the Fusion Group or Paladin Group.

(k) **No material adverse change**

Between the Announcement Date and the end of the Offer Period, no event, change or condition occurs, is announced or becomes known to Paladin (whether or not it becomes public) where that event, change or condition has had, or could reasonably be expected to have, a material adverse effect on:

- (1) the business, assets, liabilities, financial or trading position, profitability or prospects of the Fusion Group, taken as a whole, since 30 June 2008;
- (2) the status or terms of arrangements entered into by the Fusion Group; or
- (3) the status or terms of any approvals, licences or permits from Public Authorities applicable to the Fusion Group,

except for events, changes and conditions publicly announced by Fusion or otherwise disclosed in public filings by Fusion or any of its subsidiaries prior to the Announcement Date where the relevant disclosure is not, and is not likely to be, incomplete, incorrect, untrue or misleading.

(l) **No material acquisitions, disposals or new commitments**

Except for any proposed transaction publicly announced by Fusion before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period (each inclusive):

- (1) Fusion or any subsidiary of Fusion acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than \$100,000, or makes an announcement in relation to such an acquisition, offer or agreement;
- (2) Fusion or any subsidiary of Fusion disposes of, offers to dispose of or agrees to dispose of one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount, or in respect of which the book value (as recorded in Fusion's consolidated balance sheet as at 30 June 2008) is, in aggregate, greater than \$100,000, or makes an announcement in relation to such a disposition, offer or agreement; or
- (3) Fusion or any subsidiary of Fusion enters into, or offers to enter into or agrees to enter into, any agreement, joint venture or partnership which would require expenditure, or the foregoing of revenue, by the Fusion Group of an amount which is, in aggregate, more than \$100,000, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement.

(m) **Non-existence of certain rights**

No person (other than a member of the Paladin Group) has or will have any right (whether subject to conditions or not) as a result of Paladin acquiring Fusion Shares under the Offer to:

- (1) acquire, or require the disposal of, or require Fusion or a subsidiary of Fusion to offer to dispose of, any material asset of Fusion or a subsidiary of Fusion; or
- (2) terminate, or vary the terms or performance of, any material agreement with Fusion or a subsidiary of Fusion.

(n) **No prescribed occurrences**

During the period from the date of the Bidder's Statement to the end of the Offer Period (each inclusive), none of the following occurrences (being the prescribed occurrences listed in section 652C of the Corporations Act) happens:

- (1) Fusion converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;

- (2) Fusion or a subsidiary of Fusion resolves to reduce its share capital in any way (other than a selective capital reduction in connection with the Fusion Preference Shares);
- (3) Fusion or a subsidiary of Fusion enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (4) Fusion or a subsidiary of Fusion issues shares (other than as a result of the exercise of Fusion Options or conversion of Fusion Preference Shares) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (5) Fusion or a subsidiary of Fusion issues, or agrees to issue, convertible notes;
- (6) Fusion or a subsidiary of Fusion disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (7) Fusion or a subsidiary of Fusion charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (8) Fusion or a subsidiary of Fusion resolves to be wound up;
- (9) a liquidator or provisional liquidator of Fusion or of a subsidiary of Fusion is appointed;
- (10) a court makes an order for the winding up of Fusion or of a subsidiary of Fusion;
- (11) an administrator of Fusion or of a subsidiary of Fusion is appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) Fusion or a subsidiary of Fusion executes a deed of company arrangement; or
- (13) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Fusion or a subsidiary of Fusion.

(o) **No prescribed occurrences between the Announcement Date and date of Bidder's Statement**

During the period from the Announcement Date to the date that is the day before the date of the Bidder's Statement (each inclusive), none of the occurrences listed in subparagraphs (i) to (xiii) of section 12.1(n) above happened.

(p) **Fall in Indices**

That the All Ordinaries Index published by the ASX at the close of business on any 5 consecutive trading days after the Announcement Date is not below 3121.

(q) **Paladin Share Price**

That the closing price of Paladin's Shares as traded on ASX does not exceed \$4.00 per Paladin Share for any 5 consecutive trading days during the Offer Period provided for the avoidance of doubt that this defeating condition shall cease to operate as such in the event, during the Offer Period, of any conversion of Paladin Shares into a smaller number pursuant to section 254H of the Corporations Act.

(r) **Settlement of Contingent Liability**

Fusion enters into a settlement and release deed with Cazaly settling all outstanding claims and liabilities due or claimed by Cazaly to be due by Fusion to Cazaly in relation to the decision by the Minister for State Development to terminate Cazaly's application with respect to the Shovelanna Iron Ore Project (notified to Cazaly and Fusion on 21 April 2006), including any and all appeals, applications for review or applications for special leave to appeal concerning such decision which have been or could be made by Cazaly, and releasing Fusion from any and all claims and liabilities to Cazaly including as a result of any costs order made against Cazaly in such proceeding or proceedings or any costs resulting from agreement or agreements, written or otherwise, between Cazaly and Fusion concerning any costs (whether legal, professional, advisory or otherwise whatsoever).

12.9 Status of conditions

The conditions to the Offer that have been satisfied as at the date of this Bidder's Statement include:

- (a) as noted in Section 12.8(e), by the end of the Offer Period, all Fusion Preference Shares are required to be cancelled, revoked, amended and transferred to Paladin or an agreement to do so having been reached. This condition has been satisfied by the execution of the Exchange Deed as summarised in Section 5.6; and
- (b) as noted in Section 12.8(f), Fusion was required to make an announcement to the ASX of a JORC Code compliant resource of not less than 6 million pounds at a cut off of not less than 250ppm of uranium oxide (U_3O_8) for the Valhalla North Uranium Project. Fusion made this announcement on 10 December 2008.

12.10 Nature and benefit of conditions

- (a) The conditions in Section 12.8 are conditions subsequent. The non-fulfilment of any condition subsequent does not, until the end of the Offer Period (or in the case of the conditions in Section 12.8(c), until the end of the third Business Day after the end of the Offer Period), prevent a contract to sell Your Fusion Shares from arising, but entitles Paladin by written notice to you, to rescind the contract resulting from your acceptance of this Offer.
- (b) Subject to the Corporations Act, Paladin alone is entitled to the benefit of the conditions in Section 12.8, or to rely on any non-fulfilment of any of them.
- (c) Each condition in Section 12.8 is a separate, several and distinct condition. No condition will be taken to limit the meaning or effect of any other condition.

12.11 Freeing the Offer of conditions

Paladin may free this Offer, and any contract resulting from its acceptance, from all or any of the conditions subsequent in Section 12.8, either generally or by reference to a particular fact, matter, event, occurrence or circumstance (or class thereof), by giving a notice to Fusion and to ASX declaring this Offer to be free from the relevant condition or conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:

- (a) in the case of the condition in Section 12.8(c), not later than 3 Business Days after the end of the Offer Period; and
- (b) in the case of all the other conditions in Section 12.8, not less than 7 days before the end of the Offer Period.

If, at the end of the Offer Period (or in the case of the conditions in Section 12.8(c), at the end of the third Business Day after the end of the Offer Period), the conditions in

Section 12.8 have not been fulfilled and Paladin has not declared the Offer (or it has not become) free from those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

12.12 Official quotation of Paladin Shares

- (a) Paladin has been admitted to the official lists of ASX and TSX. Paladin Shares of the same class as those to be issued as consideration have been granted official quotation by ASX and TSX.
- (b) An application will be made within 7 days after the start of the Offer Period to each of ASX and TSX for the granting of official quotation of the Paladin Shares to be issued in accordance with the Offer. However, official quotation is not granted automatically on application.
- (c) Without limitation to the operation of clause 12.8(b), pursuant to the Corporations Act, this Offer and any contract that results from your acceptance of it are subject to a condition that permission for admission to official quotation by ASX and TSX of the Paladin Shares to be issued pursuant to the Offer being granted no later than 7 days after the end of the Offer Period. If this condition is not fulfilled, all contracts resulting from the acceptance of the Offers will be automatically void.

12.13 Notice on status of conditions

The date for giving the notice on the status of the conditions required by section 630(1) of the Corporations Act is the later of:

- (a) [REDACTED]; and
- (b) the date determined under section 630(2) of the Corporations Act if the Offer Period is extended.

12.14 Withdrawal of this Offer

- (a) This Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, Paladin will give notice of the withdrawal to ASX, TSX and to Fusion and will comply with any other conditions imposed by ASIC.
- (b) If, at the time this Offer is withdrawn, all the conditions in Section 12.8 have been freed, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
- (c) If, at the time this Offer is withdrawn, the Offer remains subject to one or more of the conditions in Section 12.8, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).
- (d) A withdrawal pursuant to Section 12.14 will be deemed to take effect:
 - (1) if the withdrawal is not subject to conditions imposed by ASIC, after the date that consent in writing is given by ASIC; or
 - (2) if the withdrawal is subject to conditions imposed by ASIC, after the date those conditions are satisfied.

12.15 Variation of this Offer

Paladin may vary this Offer in accordance with the Corporations Act.

12.16 No stamp duty or brokerage

- (a) Paladin will pay any stamp duty on the transfer of Your Fusion Shares to it.
- (b) As long as Your Fusion Shares are registered in your name and you deliver them directly to Paladin, you will not incur any brokerage in connection with your acceptance of this Offer.
- (c) If your Fusion Shares are registered in a CHESS Holding or if you are a beneficial owner whose Fusion Shares are registered in the name of a broker, bank, custodian or other nominee you will not be obliged to pay stamp duty by accepting the Offer but you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.

12.17 Governing laws

This Offer and any contract that results from your acceptance of it are to be governed by the laws in force in Western Australia, Australia.

13 Definitions and interpretation

13.1 Definitions

In this Bidder's Statement and in the Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below:

\$ Or A\$	Australian dollars, the lawful currency of the Commonwealth of Australia
2008 Annual Report	Paladin 2008 Annual Report as lodged with ASX on 24 October 2008
Acceptance Form	The Transfer and Acceptance form enclosed with this Bidder's Statement
AFMEX	Afmeco Mining and Exploration Pty Ltd ACN 009 758 481
AIFRS	Australian equivalents to International Financial Reporting Standards
AJV	Angela Joint Venture
Announcement Date	The date of the announcement of the Offer by Paladin, being 2 December 2008
Areva	Areva NC (Australia) Pty Ltd ACN 003 337 782
ASIC	The Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532
ASTC Settlement Rules	The operating rules of the ASTC which govern the administration of the clearing house electronic sub-register system (or CHES)
ASX	ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited
bcm	Bank cubic metres
BFS	Bankable Feasibility Study
Bidder's Statement	This document, being the statement of Paladin under Part 6.5 Division 2 of the Corporations Act relating to the Offer
BUJV	Bigrlyi Uranium Joint Venture
Business Day	Means a day on which banks are open for business in Perth, Western Australia, excluding a Saturday, Sunday or public holiday
Cameco	Cameco Australia Pty Ltd ACN 001 513 088

Cazaly	Cazaly Resources Pty Ltd ACN 101 049 334
Cazaly Iron	Cazaly Iron Pty Ltd ACN 110 981 783
CGT	Capital Gains Tax
CHES holding	A number of Fusion Shares which are registered on Fusion share register being a register administered by the ASTC and which records uncertificated holdings of Fusion Shares
Common Terms Agreement	The agreement of that name between, amongst others, Paladin Finance Pty Ltd (as borrower), Paladin (as sponsor and completion guarantor) and the Société Générale, Australia Branch (ABN 71 082 516 286) (as agent) relating to the syndicated loan arrangement between those parties
Controlling Participant	In relation to your Fusion Shares, has the same meaning as in the ASTC settlement rules
Corporations Act	The Corporations Act 2001 (Cth)
DYL	Deep Yellow Limited ACN 006 391 948
EM	Electromagnetic
Energy Metals	Energy Metals Limited ACN 111 306 533
EPL	Exclusive Prospecting Licence
EPM	Exploration Permit for Minerals
Exchange Deed	The exchange deed dated 16 December 2008 between the Fusion Preference Shareholder, Paladin and Fusion
Executive Share Option Plan	Paladin Executive Share Option Plan approved by Paladin Shareholders on 21 November 2006 as described in Section 3.4
Foreign Shareholder	A Fusion Shareholder whose address as shown in the register of members of Fusion is in a jurisdiction other than Australia or its external territories, New Zealand or Canada, unless Paladin otherwise determines after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to a Fusion Shareholder in the relevant jurisdiction and to issue Paladin Shares to such a Fusion Shareholder on acceptance of the Offer, and that it is not unlawful for such a Fusion Shareholder to accept the Offer in such circumstances in the relevant jurisdiction
Fusion	Fusion Resources Limited (ABN 68 100 287 385)
Fusion Board	The board of directors of Fusion from time to time
Fusion Group	Fusion and its subsidiaries
Fusion Preference Share	A non-transferable B class cumulative converting preference share issued by Fusion to the Fusion Preference Shareholder on 19 September 2005 with the terms and conditions set out in Annexure A to the Appendix 3b issued by Echelon

Resources Limited (as Fusion then was) on 9 September 2005

Fusion Preference Shareholder	The holder of the 1,500 Fusion Preference Shares
Fusion Shares	Fully paid ordinary shares in the capital of Fusion
Holder Identification Number	Has the same meaning as in the ASTC Settlement Rules
IFRS	International Financial Reporting Standards
Implied Offer Price	A\$0.365 based on the closing price of Paladin Shares on the ASX on the Announcement Date of A\$2.19
Issuer Sponsored Holdings	A holding of Fusion Shares on Fusion's issuer sponsored subregister
IUJV	Isa Uranium Joint Venture
JORC	The Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (as revised and updated from time to time)
km	Kilometres
Listing Rules	The official listing rules of ASX or TSX (as the context requires), as amended and waived from time to time
m	Metres
Merged Entity	The group of companies resulting from the combination of the Fusion Group and the Paladin Group following the acquisition by Paladin of not less than 50.1% of Fusion under the Offer
MIU	Mount Isa Uranium Pty Ltd ACN 064 536 483
Mlbs	Million pounds
MM Mining	MM Mining plc
Mt	Million metric tonnes
Newland	Newland Resources Ltd ACN 009 092 068
NI 43-101	National instrument for the "Standards of Disclosure for Mineral Projects" with the Canadian Securities Administrators
Offer	The offer for Fusion Shares under the terms and conditions contained in Section 12 of this Bidder's Statement
Offer Period	The period during which the Offer will remain open for acceptance in accordance with Section 12.2 of this Bidder's Statement
Offer Ratio	The number of Paladin Shares offered for Fusion Shares under the terms of the Offer

Options	Options to subscribe for Fusion Shares
PAL	Paladin (Africa) Limited a company incorporated in the republic of Malawi and registered at the Malawi companies registry with company registration number 5664
Paladin	Paladin Energy Ltd (ABN 47 061 681 098)
Paladin Board	The board of directors of Paladin from time to time
Paladin Group	Paladin and its subsidiaries
Paladin Shares	Fully paid ordinary shares in the capital of Paladin
Participant	An entity admitted to participate in the clearing house electronic sub-register system under rule 4.3.1 and 4.4.1 of the ASTC Settlement Rules
Public Authority	Any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange
RC	Reverse circulation
Quasar	Quasar Resources Pty Ltd ACN 101 227 070
QUJV	Quasar Uranium Joint Venture
Register Date	The date set by Paladin under section 633(2) of the Corporations Act, being 8.00am on 18 December 2008
RIP	Resin in Pulp
ROM	Run of Mine
SRA	Summit Resources (Aust) Pty Ltd ACN 009 188 078
SRN	Has the same meaning as in the ASTC Settlement Rules
Section	A section of this Bidder's Statement
Shovelanna Iron Ore Project	Application for Exploration Licence 46/678 by Cazaly Iron located 25km east of Mt Newman
Shovelanna Decision	The decision by the Minister for State Development to terminate the Shovelanna Iron Ore Project
Summit Resources	Summit Resources Limited ACN 009 474 775
t	Tonnes
Takeover Bid	The off-market takeover bid constituted by the dispatch of the Offers in accordance with the corporations act
Takeover Transferee	Has the same meaning as in the ASTC Settlement Rules

Holding

TSX	The Toronto Stock Exchange
US\$ or US dollar	United States dollars, the lawful currency of the United States of America
U3O8	Uranium Oxide
Valhalla Uranium	Valhalla Uranium Limited ACN 116 370 720
VWAP	Volume weighted average price
Your Fusion Shares	Subject to Section 12.1, the Fusion Shares (a) in respect of which you are registered as holder in the register of shareholders of Fusion at the open of business (Perth, Western Australia time) on the Register Date, or (b) to which you are able to give good title at the time you accept this Offer during the Offer Period.

13.2 Interpretation

In this Bidder's Statement and in the Acceptance Form, unless the context otherwise appears:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a Section, annexure and schedule is a reference to a Section of and an annexure and schedule to this Bidder's Statement as relevant;
- (f) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances, or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) headings and boldings are for convenience only and do not affect the interpretation of this Bidder's Statement;
- (h) a reference to time is a reference to time in Perth, Western Australia; and
- (i) a reference to writing includes facsimile transmissions.

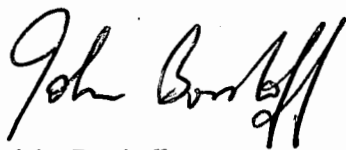
14 Approval of Bidder's Statement

This Bidder's Statement has been approved by a unanimous resolution passed by the directors of Paladin.

Dated: 17 December 2008

Signed

for and on behalf of Paladin Energy Ltd

A handwritten signature in black ink, appearing to read 'John Borshoff', written over a horizontal line.

John Borshoff
Managing Director / CEO

Attachment A

ASX announcements by Paladin since 1 July 2008

16/Dec/08	Paladin Energy Limited <i>FSN: Preference Shares to be Cancelled as Condition of T/O</i>
11/Dec/08	Paladin Energy Limited <i>Appendix 3B</i>
10/Dec/08	Paladin Energy Limited <i>FSN: Maiden Uranium Resource at Valhalla North Project</i>
2/Dec/08	Paladin Energy Limited <i>Recommended Takeover Offer by Paladin for s</i>
2/Dec/08	Paladin Energy Limited <i>FSN: Takeover Bid Received from Paladin</i>
27/Nov/08	Paladin Energy Limited <i>Proxy Voting at AGM</i>
27/Nov/08	Paladin Energy Limited <i>EME: More Significant Uranium Intercepts from Bigryi (NT)</i>
26/Nov/08	Paladin Energy Limited <i>Annual General Meetings Chairmans Address</i>
24/Nov/08	Paladin Energy Limited <i>Open Briefing Paladin Energy MD on Growth Outlook</i>
21/Nov/08	Paladin Energy Limited <i>Significant Resource Upgrade for Kayelekera</i>
11/Nov/08	Paladin Energy Limited <i>September Quarterly Financial Report and MDandA</i>
10/Nov/08	Paladin Energy Limited <i>Change of Time for September Quarter 2008 Conference Call</i>
5/Nov/08	Paladin Energy Limited <i>September Quarter 2008 Conference Call and Investor Update</i>
29/Oct/08	Paladin Energy Limited <i>Response to ASX Appendix 3Y Query</i>
29/Oct/08	Paladin Energy Limited <i>Appendix 3Y</i>
29/Oct/08	Paladin Energy Limited <i>Quarterly Reporting Timetable</i>
28/Oct/08	Paladin Energy Limited <i>Chief Financial Officer Replacement</i>
24/Oct/08	Paladin Energy Limited

	<i>Notice of AGM to Shareholders and Annual Report</i>
24/Oct/08	Paladin Energy Limited <i>UNO: Acquisition of Ponton Project from Paladin Energy Ltd</i>
21/Oct/08	Paladin Energy Limited <i>Appendix 3Y</i>
21/Oct/08	Paladin Energy Limited <i>Appendix 3B</i>
17/Oct/08	Paladin Energy Limited <i>Change in substantial holding</i>
16/Oct/08	Paladin Energy Limited <i>Statement Regarding Interpretation of Quarterly Report</i>
15/Oct/08	Paladin Energy Limited <i>Quarterly Report for the period ending 30 September 2008</i>
7/Oct/08	Paladin Energy Limited <i>Response to ASX Query</i>
6/Oct/08	Paladin Energy Limited <i>Angela-Pamela Uranium Project Tenement Granted</i>
3/Oct/08	Paladin Energy Limited <i>Langer Heinrich Achieves Design Production for Full Quarter</i>
26/Sep/08	Paladin Energy Limited <i>Correction of Langer Heinrich Mining Reserve Estimates 2008</i>
26/Sep/08	Paladin Energy Limited <i>DYL: Paladin Energy Increased Equity Position in Deep Yellow</i>
24/Sep/08	Paladin Energy Limited <i>Langer Heinrich Mining Reserve Estimates 2008</i>
19/Sep/08	Paladin Energy Limited <i>Acquisition of shares in Deep Yellow Ltd and Form 604</i>
11/Sep/08	Paladin Energy Limited <i>2008 Annual Report - Auditor's Independence Declaration</i>
11/Sep/08	Paladin Energy Limited <i>2008 Annual Report</i>
10/Sep/08	Paladin Energy Limited <i>Appendix 3B</i>
1/Sep/08	Paladin Energy Limited <i>Form 604 for SMM</i>
28/Aug/08	Paladin Energy Limited <i>Large Resource Upgrade for Langer Heinrich</i>
28/Aug/08	Paladin Energy Limited <i>Large Resource Upgrade for Langer Heinrich</i>

26/Aug/08	Paladin Energy Limited <i>Year End June 2008 Conference Call and Investor Update</i>
26/Aug/08	Paladin Energy Limited <i>30 June 2008 Appendix 4E Preliminary Financial Report</i>
29/Jul/08	Paladin Energy Limited <i>Form 604 for DYL</i>
21/Jul/08	Paladin Energy Limited <i>EME: 93% increase in projected Uranium Production at Bigirlyi</i>
17/Jul/08	Paladin Energy Limited <i>Quarterly Report for the period ending 30 June 2008</i>
10/Jul/08	Paladin Energy Limited <i>Paladin Energy Appoints New Chief Financial Officer</i>
4/Jul/08	Paladin Energy Limited <i>CLQ: Exciting Entry into the Uranium Market for Clean TeQ</i>
3/Jul/08	Paladin Energy Limited <i>Appendix 3B</i>

Attachment B

Announcements in relation to the Offer

2/Dec/08	Paladin Energy Limited <i>Recommended Takeover Offer by Paladin for s</i>
2/Dec/08	Paladin Energy Limited <i>FSN: Takeover Bid Received from Paladin</i>

Attachment C

ASX announcements by Fusion since 1 July 2008

16/Dec/08	Fusion Resources Limited <i>Preference Shares to be Cancelled as Condition of Takeover</i>
12/Dec/08	Fusion Resources Limited <i>Change in substantial holding</i>
11/Dec/08	Fusion Resources Limited <i>Change in substantial holding</i>
10/Dec/08	Fusion Resources Limited <i>Maiden Uranium Resource at Valhalla North Project</i>
2/Dec/08	Fusion Resources Limited <i>PDN: Recommended Takeover Offer by Paladin for Fusion</i>
2/Dec/08	Fusion Resources Limited <i>Takeover Bid Received from Paladin</i>
2/Dec/08	Fusion Resources Limited <i>Trading Halt</i>
26/Nov/08	Fusion Resources Limited <i>Results of Meeting</i>
30/Oct/08	Fusion Resources Limited <i>Quarterly Activities Report</i>
30/Oct/08	Fusion Resources Limited <i>Quarterly Cashflow Report</i>
27/Oct/08	Fusion Resources Limited <i>Annual Report</i>
27/Oct/08	Fusion Resources Limited <i>Notice of Annual General Meeting/Proxy Form</i>
21/Oct/08	Fusion Resources Limited <i>Initial Director's Interest Notice</i>
15/Oct/08	Fusion Resources Limited <i>Appointment of Canadian Director</i>
30/Sep/08	Fusion Resources Limited <i>Change in substantial holding</i>
24/Sep/08	Fusion Resources Limited <i>Full Year Statutory Accounts</i>
23/Sep/08	Fusion Resources Limited <i>Ceasing to be a substantial holder</i>
19/Sep/08	Fusion Resources Limited

	<i>Further Thick Zones of Uranium Mineralisation at Duke Batman</i>
17/Sep/08	Fusion Resources Limited <i>Change in substantial holding</i>
4/Sep/08	Fusion Resources Limited <i>SVM: RC Results At Tate River Project</i>
4/Aug/08	Fusion Resources Limited <i>Change in substantial holding</i>
31/Jul/08	Fusion Resources Limited <i>Quarterly Activities Report</i>
31/Jul/08	Fusion Resources Limited <i>Quarterly Cashflow Report</i>
22/Jul/08	Fusion Resources Limited <i>Change in substantial holding</i>
21/Jul/08	Fusion Resources Limited <i>CLU: Perisher JV over EPMs 12499 and 12656</i>
14/Jul/08	Fusion Resources Limited <i>SVM: Vein Halo Exhibits Gold Mineralisation at Tate River</i>
9/Jul/08	Fusion Resources Limited <i>Further High Grade Uranium Identified at Honey Pot</i>